FRANCHISE DISCLOSURE DOCUMENT

Ruby's Franchise Systems, Inc. a California Corporation
201 Shipyard Way, Suite E
Newport Beach, California 92663
(949) 644-7829
www.rubys.com

This franchise is for the development and operation of a "Ruby's® Diner" restaurant, offering breakfast, lunch and dinner with a full menu of breakfast items, appetizers, hamburgers, salads, sandwiches, soups, chili, fries, shakes, malts and desserts ("Restaurant"). We offer two franchise programs:

(1) A single Restaurant: The total investment necessary to begin operation of a single Restaurant is between $737,500 and $1,922,000. This includes approximately $55,000 to $65,000 which must be paid to the franchisor or its affiliates.

(2) Multiple Restaurants within a defined area pursuant to a Multi-Unit Development Agreement: When you sign your Multi-Unit Development Agreement, you must pay a development fee equal to one-half of the total initial fees which you must pay for the total number of Ruby's® Diner Restaurants you agree to open. When you sign each Franchise Agreement pursuant to your Multi-Unit Development Agreement, you must pay an initial fee of: (i) $45,000 for your first Restaurant; (ii) $40,000 for your second Restaurant; (iii) $35,000 for your third and each subsequent Restaurant; provided that we will credit the development fee against the applicable initial fees at a rate of one-half of the initial fee payable under each Franchise Agreement until the entire development fee has been credited.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Mark Lyso at 201 Shipyard Way, Suite E Newport Beach, California 92663 or (949) 644-7829, ext. 158.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1–877–FTC–HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 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: August 9, 2016

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN CALIFORNIA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR HOME STATE.

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

3. YOU MUST ALSO SIGN A PERSONAL GUARANTY MAKING YOU INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT. THE GUARANTY WILL PLACE YOUR MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	
Florida	
Hawaii	
Illinois	
Indiana	
Kentucky	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Utah	
Virginia	
Washington	
Wisconsin	

In the states listed below, the effective date (and issuance date) of this disclosure document is August 9, 2016.

Alabama	Louisiana	North Carolina
Alaska	Maine	Ohio
Arizona	Massachusetts	Oklahoma
Arkansas	Mississippi	Oregon
Colorado	Missouri	Pennsylvania
Connecticut	Montana	South Carolina
Delaware	Nebraska	Tennessee
District of Columbia	Nevada	Texas
Georgia	New Hampshire	Vermont
Idaho	New Jersey	West Virginia
Iowa	New Mexico	Wyoming
Kansas		

NOTICE REQUIRED
BY
STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Law Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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EXHIBITS

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

To simplify the language in this disclosure document the words "RFS," "we," "our" and "us" refer to Ruby's Franchise Systems, Inc., the franchisor. "You" means the entity who buys the franchise, and also includes your officers, directors, shareholders and members if you are a limited liability company or a corporation, and your partners, general and limited, if you are a partnership.

As required by law, this disclosure document has been prepared in "plain English." To fully understand all of your and our rights and obligations to each other, you must still carefully review the actual agreements that you will execute. These will control if there is any dispute between us.

RFS and Its Affiliate

Ruby's Franchise Systems, Inc., a California corporation ("RFS"), was incorporated on July 13, 1990. Our principal business address is 201 Shipyard Way, Suite E, Newport Beach, California 92663. We have offered franchises for Ruby's® Diner Restaurants since our incorporation. We do not operate any Restaurants and have not offered franchises in any other lines of business. We do business under the names "Ruby's Franchise Systems, Inc.," "Ruby's Diner" and "Ruby's."

Ruby's Diner, Inc. ("RDI") is a California corporation, incorporated on February 13, 1985. Its principal business address is 201 Shipyard Way, Suite E, Newport Beach, California 92663. RDI owns, operates and manages Restaurants under the trade names "Ruby's®," "Ruby's® Diner," "The Ruby Restaurant Group" and "Ruby's® Dinette." Ruby's® Diner restaurants are also owned, operated and managed by other RFS affiliates of whom RDI is the general partner or manager. RDI has operated Ruby's® Diner restaurants since its incorporation. RDI also provides management services and support for RFS. RDI has not offered franchises in this or any other line of business.

Douglas S. Cavanaugh and Ralph L. Kosmides (See Item 2 below), the founders of both RDI and RFS, have owned and operated restaurants utilizing the trade name Ruby's® since 1982.

The Business

This disclosure document describes our franchise for the development and operation of Ruby's® Diner restaurants. Ruby's® Diner restaurants have a retro-modern décor in one of two basic styles: (1) our classic 1940's/1950's malt shop/diner design with red and white color scheme (our "Classic Design"), or (2) our Classic Design with additional wood tones and trim (our "Deluxe Design").

Ruby's® Diner restaurants are typically approximately 3,000 square feet in size offering breakfast, lunch and dinner with a full menu of breakfast items, appetizers, hamburgers, salads, sandwiches, soups, chili, fries, shakes, malts and desserts.

We offer two separate franchise programs by this disclosure document, a single-unit franchise program and a multi-unit development program, though we may not necessarily allow you the opportunity to purchase under both of these programs.

Under our single-unit program, you will execute our current form franchise agreement ("Franchise Agreement"), a copy of which is attached as Exhibit "A", to operate a single Restaurant at a location which you choose and which we approve. The Franchise Agreement will specify whether it will be Classic Design or Deluxe Design. If you, or an affiliated person or entity, has a currently effective franchise agreement or multi-unit development agreement with RFS, you and each affiliated person or entity must sign a general release in the form attached as Exhibit “E”, as a condition to entering into the new Franchise Agreement.

Under the Multi-Unit Development Program, we assign a defined area within which you must develop and operate a specified number of Restaurants within a specified period of time. If you participate in this program, you will execute a Multi-Unit Development Agreement in the form attached as Exhibit “B”, which will describe your development area and your development schedule and other obligations. You must obtain our acceptance of the site for each Restaurant. For each Restaurant you open pursuant to the Multi-Unit Development Agreement, promptly after our acceptance of the site for the Restaurant, you will execute a separate Franchise Agreement on the then-current form used by RFS at the time, which may contain materially different terms from the form which is attached as an exhibit to this disclosure document. In addition, you, and each affiliate who has a currently effective franchise agreement or multi-unit development agreement with RFS, must sign a general release in the form attached as Exhibit “E” as a condition to entering into each new Franchise Agreement.

RFS believes that the market for restaurants is mature and consists of the general public. You will compete with other full service restaurants, quick service restaurants, fast casual restaurants, cafes, nationwide chains, supermarkets, and other food vendors. Your Restaurant will be operated year round, although sales may fluctuate during the year. Ruby’s® Diner restaurants are typically located in urban in-line stores or free standing buildings.

Special Industry Regulation

Certain states and jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of Restaurants, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of your Restaurant; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) regulate the proper use, storage and disposal of waste and other hazardous materials; (f) establish menu labeling and posting requirements and general requirements or restrictions on advertising; and (g) establish requirements concerning withholdings and employee reporting of taxes on tips.

Unless applicable laws prohibit the sale of alcoholic beverages from the location where your Restaurant is located, you must also obtain a beer and wine license, permitting on-premises sale and consumption of beer and wine at your Restaurant. There are a wide variety of laws and regulations governing the sale of alcoholic beverages in Restaurants at the state, municipality, county and/or local level, including permit and license requirements for different types of beverages, controls on when and where liquor may be served, the amount that can be served, to whom it may be served, and who may serve it, among other restrictions.

Agent for Service of Process

Our agents for service of process are listed in Exhibit “H.”

ITEM 2.
BUSINESS EXPERIENCE

President, Chief Executive Officer and Director: Douglas S. Cavanaugh

Mr. Cavanaugh has owned and operated restaurants utilizing the trade name Ruby's® since 1982, and is a co-founder of RDI and RFS. He has been a Director of RDI since its incorporation in February 1985, and was also President and Chief Executive Officer of RDI from its incorporation in February 1985 until November 2002. He has been a Director and the President and Chief Executive Officer of RFS since its incorporation in July 1990.

Vice President, of Operations: Tad Belshe

Mr. Belshe has been our Vice President of Operations since September 2014. Prior to that, he was our Executive Vice President of Franchise Development from February 2012 to September 2014. Since February 2012, Mr. Belshe has also been the Executive Vice President of Operations of RDI. Since February 2007, Mr. Belshe has also served as the Vice President of Operations for The Beachcomber at Crystal Cove, LLC in Irvine, California.

Chief Financial Officer: Ralph L. Kosmides

Mr. Kosmides has served as our Chief Financial Officer since October 2014. Mr. Kosmides served as the Chief Financial Officer of RFS from its incorporation until July 31, 2005, and from July 2009 until December 2009 and from October 2014 to present. He has also been a Director and Secretary of RFS since its incorporation in July 1990 and served as RFS' Executive Vice President from July 1990 until December 2010. Mr. Kosmides has owned and operated Ruby's® Diner restaurants since 1982, and is a co-founder of RDI and RFS. Until November 2011, he was a Director and Secretary of RDI since its incorporation in February 1985. He had also been Chief Administrative and Development Officer since July 31, 2005 and before that served in several other positions at RDI, including Chief Financial Officer, and Executive Vice President.

Chief Operating Officer: Mark Lyso

Mr. Lyso has served as our Chief Operating Officer since May 2016. Previously, Mr. Lyso served as Vice President of Franchise Development for PizzaRev Franchising, LLC in Westlake Village, California from July 2013 through September 2015. From September 2009 to July 2013, Mr. Lyso was the Executive Director of Franchise Development for Sizzler USA, Inc. in Mission Viejo, California.

Director of Operations: Miguel Berumen (Michael)

Mr. Berumen joined RDI as Director of Operations on May 2014. Prior to that, he was the Senior Operations Manager for Mimi's Café in Irvine, California from October 1992 to May 2014.

Operations Specialist Manager: Nick Profeta

Mr. Profeta joined RDI as an Operations Specialist Manager in April 2014. Prior to joining RDI, Mr. Profeta served as Development & Facilities Coordinator, Food & Beverage Manager and Financial Analyst for Mimi's Café, a restaurant chain located in Irvine, California from February 2008 until April 2014.

ITEM 3.
LITIGATION

Doug DeCinces ("DeCinces"), Ruby's Huntington Beach Associates Ltd., Ruby's Laguna Hills Associates Ltd., Ruby's Laguna Associates, Ltd., Ruby's Mission Viejo Associates, Ltd., Ruby's CDM Associates Ltd., Ruby's M.V. Associates Ltd., Ruby's Palm Springs Associates Ltd., and Ruby's Waterfront Associates Ltd. (the "DeCinces LPs" and with DeCinces, the "Plaintiffs") vs. Ruby's Diner, Inc. ("RDI"), Doug Cavanaugh, Ralph Kosmides, et al. (Orange County, California Superior Court, Case No. 30-2009- 00124231, filed June 5, 2009).

DeCinces is the General Partner of the DeCinces LPs and the DeCinces LPs are limited partners in 7 limited partnerships and one limited liability company, Ruby's Huntington Beach, Ltd., Ruby's Laguna Hills, Ltd., Ruby's Diner Laguna Beach, Ltd., Ruby's Mission Viejo, Ltd., Ruby's Corona Del Mar, Ltd., Ruby's Mission Valley, Ltd., Ruby's Palm Springs, Ltd. and Ruby's Waterfront, LLC (the "Ruby's LPs"), of which our affiliate RDI is the General Partner or managing member, and which currently operate 7 "Ruby's Diner" restaurants in Southern California. The restaurant operated by Ruby's Waterfront, LLC has since closed.

In this action, the plaintiffs asserted claims for breach of contract and breach of the implied covenant of good faith and fair dealing against RDI and the Ruby's LPs, and breach of fiduciary duty, and actual and constructive fraud against RDI, Doug Cavanaugh and Ralph Kosmides relating to the operation of the Ruby's LPs. Plaintiffs sought injunctive relief, an accounting and monetary damages of not less than $2 million for each of the five causes of action, plus interest, costs, attorneys' fees, and punitive damages against RDI, Doug Cavanaugh and Ralph Kosmides. Except as discussed below, the parties settled the plaintiffs' claims effective August 31, 2010 pursuant to a "Settlement and Release Agreement." The Settlement and Release Agreement was entered into by and among DeCinces, the DeCinces LPs, RDI, Cavanaugh and Kosmides, and provided that (a) RDI will pay the Plaintiffs the sum of $900,000 over several years, (b) the parties exchanged releases, (c) the DeCinces LPs agreed to the continued payment of certain fees (including Regional and System Advertising fees and management-in-training fees), and (d) RDI's management fee was increased and RDI agreed that allocation of any new expenditures related to more than one restaurant would be subject to approval by DeCinces and the DeCinces LPs before being allocated or apportioned to the Restaurants operated or owned by the DeCinces LPs.

A claim by Ruby's Laguna Associates, Ltd. ("Laguna Associates") against RDI for breach of a right of first refusal, which also was asserted in this action, remained pending. In that claim, Laguna Associates contended that it was entitled to be the financing limited partner in the Ruby's Shake Shack, Ruby's concessions in Anaheim stadium and Petco Park, and the Beachcomber Café in Crystal Cove. RDI prevailed on the right of first refusal claim with respect to the Ruby's Shake Shack and Ruby's concessions. RDI also obtained summary judgment as to the Beachcomber Café and was awarded its attorneys' fees incurred in defending against this claim, however, the rulings as to the Beachcomber were reversed on appeal and the claim has been remanded to the trial court. In or about July 2013, a global settlement and dismissal of all claims was reached under which the DeCinces LPs agreed to sell of their interests in the Ruby's LPs relating to all seven restaurants, to an affiliate of RDI for an aggregate purchase price of $3.85 million.

Ruby's Huntington Beach Associates Ltd., Ruby's Laguna Hills Associates Ltd., Ruby's Laguna Associates, Ltd., Ruby's Mission Viejo Associates, Ltd., Ruby's CDM Associates Ltd., Ruby's M.V. Associates Ltd., Ruby's Palm Springs Associates Ltd (the "Plaintiffs") vs. Ruby's Diner, Inc. ("RDI"), Doug Cavanaugh, Ralph Kosmides, et al. (Orange County, California Superior Court, Case No. 30-2011-00507828, filed September 13, 2011).

In this action, the Ruby's LPs (defined above) filed a second action against RDI and its officers in Orange County Superior Court, asserting claims for intentional and negligent misrepresentation, concealment, fraud, breach of the settlement agreement and of fiduciary duty and seeking to: (i) set aside portions of the Settlement and Release Agreement, (ii) enjoin the right of certain persons to use "Ruby's Cards" in restaurants in which the Ruby's LPs have invested, and (iii) recover $2 million in damages. The trial in this action concluded on January 18, 2013, with RDI and its officers, as defendants, prevailing on all claims. Plaintiffs appealed the trial court decision. As described above, in or about July 2013, a global settlement and dismissal of all claims including the appeal was reached under which the DeCinces LPs agreed to sell of their interests in the Ruby's LPs relating to all seven restaurants, to an affiliate of RDI for an aggregate purchase price of $3.85 million.

<u>Douglas L. Salisbury as Trustee for the DLS Living Trust Under Declaration of Trust Dates May 4, 1988, as Amended and Restated Thereafter vs. Ruby's Diner, Inc. (Orange County, California Superior Court, Case No. 30-2011-510153, filed September 22, 2011)</u>.

In this action, plaintiff Doug Salisbury, as trustee, filed suit against RDI and Ruby's Franchise Systems seeking a declaration of rights under his Stock Purchase Agreement with RDI and RFS. On or about October 26, 2012, RFS, RDI, Ruby's management, LLC, Douglas S. Cavanaugh, Ralph Kosmides, Douglas L. Salisbury, as Trustee of the DLS Living Trust Under Declaration of Trust Dated May 4, 1988, as Amended and Restated, and Douglas Salisbury entered into a Stock Purchase and Settlement Agreement pursuant to which Mr. Salisbury agreed to sell his shares in RFS and RDI to RFS and Messrs. Cavanaugh and Kosmides for a total of $1.75 million pursuant to a secured promissory note secured by the RFS royalty receipts and certain rights in several restaurants owned or managed by affiliates of RFS and RDI, which promissory note was paid in full on July 30, 2013.

Except for the 3 actions above, there is no litigation that must be disclosed in this franchise disclosure document.

ITEM 4.
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5.
INITIAL FEES

<u>Development Fee</u>. If you sign a Multi-Unit Development Agreement, you must pay RFS a development fee equal to one-half of the aggregate Initial Fees (defined below) which you must pay for the total number of Restaurants you agree to open (the "Development Fee"), payable when you sign the Multi-Unit Development Agreement. Each time you execute a Franchise Agreement for a Ruby's® Diner restaurant which you have committed to develop pursuant to the Multi-Unit Development Agreement, you must pay an Initial Fee. We will credit your Development Fee against one-half of the Initial Fee payable under each Franchise Agreement, until the entire Development Fee has been credited. The Development Fee is fully earned by us when paid and is not refundable under any circumstances.

<u>Initial Fee</u>. You must pay RFS an initial fee (the "Initial Fee") equal to $45,000; payable upon execution of the Franchise Agreement. The Initial Fee is fully earned by us when paid and is not refundable under any circumstances.

If you are signing your Franchise Agreement pursuant to a Multi-Unit Development Agreement, you must pay RFS an Initial Fee when you sign each Franchise Agreement. As shown on the following chart, the amount of the Initial Fee will be reduced for the second and subsequent Restaurants that you develop. Also, we will credit your Development Fee against the applicable Initial Fees at a rate of one-half of the Initial Fee payable under each Franchise Agreement until the entire Development Fee has been credited:

	Initial Fee
First Restaurant	$45,000
Second Restaurant	$40,000
Third and each subsequent Restaurant	$35,000

Opening Team Fee. RFS will provide an "Opening Team" at your Restaurant immediately before and after the opening of your Restaurant. You must notify us of the scheduled date when all construction or remodeling is expected to be completed at least 30 days before the scheduled completion date so that we may arrange for the Opening Team for your Restaurant. You must reimburse all travel expenses of our Opening Team.

As described in more detail in Item 11, if you are signing your second or subsequent Franchise Agreement (whether or not you are signing your Franchise Agreement pursuant to a Multi-Unit Development Agreement), RFS will provide fewer Opening Team members and you must provide management-level employees, from your existing Restaurant(s), to be part of the Opening Team. If you are unable to provide the required number of Opening Team members, we may staff the Opening Team with our employees, in which event you must reimburse us (or advance us, at our option) for the travel expenses of our employees provided as a result of your failure or inability to timely provide the required number of employees for your Opening Team.

Except as described above, all initial fees are uniformly imposed. Franchisees that joined the system in 2015 paid a reduced Initial Fee equal to $25,000 in connection with a temporary promotion offered by us.

ITEM 6.
OTHER FEES

Type of Fee[1]	**Amount**	**Due Date**	**Remarks**
Continuing Royalty[2]	4% of total Gross Sales, or a minimum weekly continuing royalty fee of $625, whichever is greater.	Payable weekly via electronic funds transfer ("EFT") on the Wednesday following the end of each weekly period during the term of your Franchise Agreement ("Reporting Period").	Gross Sales includes all revenues from the sale of all products and services sold or prepared in your Restaurant or which are promoted or sold under any of Ruby's® trademarks, whether for cash or credit, and regardless of collection in the case of credit. Gross Sales does not include sales tax or use tax, tips or gratuities, or proceeds from isolated sales of certain trade fixtures.
Brand Fund Contribution[3]	Currently, 1% of Gross Sales.	Same as Continuing Royalty fee.	

Type of Fee[1]	Amount	Due Date	Remarks
Regional Marketing Contribution [3]	Currently, 1% of Gross Sales.	Same as Continuing Royalty Fee.	If RFS forms a regional advertising group, you must contribute the Regional Marketing Contribution directly to the regional advertising group. Regional Marketing Contributions will count toward your local advertising requirement.
Local Advertising Expenditures[3]	Currently, 1% of Gross Sales.		
Initial Training	If this is one of your first 5 Restaurants, there is no charge for the initial training program for up to 5 persons designated by you as the Operating Principal, General Manager, Multi- Unit Manager, if any, and at least two additional managers of your Restaurant.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	If this is your or your affiliate's 6th or subsequent Restaurant or if you need to train additional managers or replacement managers for any person who fails to complete our initial program to our satisfaction, you will pay our then-current standard training fee plus our direct and indirect costs and expenses for lodging, subsistence and travel of our personnel.
Certified Trainers	Our then-current charge for certification training plus our expenses for lodging, subsistence and travel of our personnel.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	Payable if you elect to employ a Certified Management Trainer to provide Initial Training to your Operating Principal, Multi-Unit Manager, Managers and staff.
Additional Training Courses	Established by RFS.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	We may charge a fee for mandatory and optional training courses which we may periodically offer.
Annual Convention and Mandatory Meetings	Established by RFS.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	We may charge a per person attendance fee for our annual convention and mandatory meetings we designate.
Opening Inspections	Our direct and indirect costs and expenses for lodging, subsistence and travel of our personnel.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	There is no charge for one on-site inspection before opening. If you request, or we deem more than one on-site inspection necessary, you must pay all travel expenses, and consultants' fees that we incur in connection with additional visits.
On-going Inspections	If you fail an inspection, you must pay our expenses in connection with each follow-up unit evaluation, audit or inspection of your Restaurant to determine compliance, which are presently approximately $350 for each inspection. You must also pay one-half of our expenses related to our then-current customer evaluation program.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	Unit and customer evaluations are not limited as to frequency.

Type of Fee[1]	Amount	Due Date	Remarks
Insurance[5]	Amount of unpaid premiums.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Electronic data storage, communication system maintenance and POS polling charges	You must reimburse us or, at our option, pay the cost of the third-party provider as established by RFS, up to a maximum of $7,000 per year.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	This fee may be increased in accordance with the National Consumer Price Index (CPI).
Transfer	$7,500	When you submit your request for our consent to any proposed transfer.	Payable upon transfer.
Audit[4]	Cost of audit plus interest at the highest compound rate allowed by law on underpayment.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	Payable only if audit shows an under-reporting or under-recording error of 2% or more of Gross Sales.
Renewal Fee	$2,500	When you sign your renewal franchise agreement.	Payable when you renew your franchise.
Default Reimbursement	Our costs and expenses arising from your default.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	Payable only if you default.
Interest and Late Charge for Late Payments	The greater of $100 or 5% of the amount due, plus interest on the unpaid amount at the lesser of 10% per annum or the highest rate allowed by law.	Continues to accrue until paid.	Payable only if any sums due RFS are not paid promptly when due. The highest interest rate allowed in California is 10% annually.
Charges for unpaid checks, drafts or electronic payments	Our costs and expenses arising from the returned payment.	Payable 30 days after written notice to you unless otherwise specified by us in writing.	Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or otherwise.
Supplier Approval	Varies	Upon request	You or your proposed supplier must pay us in advance (or if we request, reimburse us) our reasonably anticipated costs to review the supplier's application and all current and future reasonable costs and expenses, to inspect and audit the suppliers' facilities, equipment, and food products, and all product testing costs paid by RFS to third parties.
Relocation Fee	Varies	Upon relocation of the Restaurant	You must reimburse our expenses incurred (including our time) in connection with any relocation of the Restaurant.

Notes:

1. Unless otherwise specified, all fees are uniformly imposed by RFS, and are non-refundable. We reserve the right to reduce or waive the fees for certain restaurants, such as those operated at Non-Traditional Venues (as defined in Item 12).

2. The Continuing Royalty begins to accrue on the earlier of the date you open your Restaurant, or the Required Opening Date (defined in Item 11 below), even if you do not open. The Continuing Royalty may be reduced to 1% of Gross Sales for franchises offered to prior employees, affiliates and/or entities in which affiliates have an interest.

3. We reserve the right to periodically increase the required Brand Fund Contribution, Regional Marketing Contribution and required local advertising expenditures upon written notice to you, provided that the combined amount of Brand Fund Contribution, Regional Marketing Contribution and required local advertising expenditures we require you to spend will not exceed 3% of Gross Sales. We have the right to determine the allocation of each category of marketing and advertising expenses.

Certain Restaurants, such as those located at Non-Traditional Venues, are not required to pay advertising fees.

4. Interest accrues from the date of the underpayment.

5. You must maintain insurance of the types and minimum amounts (naming us and our designated affiliates as additional insureds) that we specify in your Franchise Agreement, the Manuals, or in supplementary notices. You may obtain additional insurance as you may desire. Insurance policies may not be subject to amendment or cancellation without at least 30 days prior written notice to us. You must provide certificates of insurance or other proof of insurance in the form we request evidencing coverage on an ongoing basis.

6. You must maintain a single bank account for the payment of Continuing Royalties, Brand Fund Contributions and other fees payable to RFS (the "Bank Account"). You must maintain the minimum balance in the Bank Account as we reasonably specify. You may not alter or close the Bank Account without first obtaining our written consent. You must pay Continuing Royalties, Brand Fund Contributions and other fees by electronic funds transfer or any similar arrangement from the Bank Account, and you must sign the documents that are necessary for us to implement the payment system. We will initiate electronic payment from the Bank Account on the Wednesday immediately following the end of each Reporting Period. If you fail to timely submit Sales Reports, we will estimate your Continuing Royalties and Brand Fund Contributions based on our good faith estimation of your Gross Sales during the Reporting Period, subject to any applicable minimum amounts. If you later submit Sales Reports that reflect that more funds were withdrawn from the Bank Account than were due RFS for the applicable Reporting Period, we will credit the excess against your future obligations to RFS.

ITEM 7.
ESTIMATED INITIAL INVESTMENT

As described in Item 5, if you execute a Multi-Unit Development Agreement, you must pay RFS a Development Fee equal to one-half of the aggregate Initial Fees which you must pay for the total number of Restaurants you agree to open. The Initial Fees payable for each Franchise Agreement signed pursuant to a Multi-Unit Development Agreement are as follows: (i) $45,000 for your first Restaurant; (ii) $40,000 for your second Restaurant; and (iii) $35,000 for your third and each subsequent Restaurant.

We will credit your Development Fee against one-half of the Initial Fee payable under each Franchise Agreement, until the entire Development Fee has been credited.

The following chart describes the estimated initial investment for a single Restaurant:

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (1) Low	Amount (1) High	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (2)	$35,000	$45,000	Lump Sum	Upon execution of the Franchise Agreement	RFS
Opening Team Costs(3)	$10,000	$20,000	As Incurred	As Incurred	RFS or third parties
Travel and Living Expenses while Training (4)	$5,000	$15,000	As Incurred	During Training	Airlines, hotels and restaurants
Pre-opening Training and Salaries for Your Employees (4)	$10,000	$50,000	As Arranged	Before Opening	Third Parties
Site Acceptance Request (5)	$0	$2,000	As Arranged	Before you sign your lease	Third Party Supplier
Lease Deposit (6)	$0	$35,000	Lump Sum	Lease Signing	Lessor
Construction Costs (7)	$270,000	$800,000	As Arranged	Before Opening	Third Party Contractors
Equipment and Furniture (8)	$295,000	$525,000	As Arranged	Before Opening	Third Party Suppliers
Signs (9)	$8,000	$50,000	As Arranged	Before Opening	Third Party Suppliers
Deposits/Bonds (10)	$500	$10,000	As Arranged	Before Opening	Utility Companies
Insurance (11)	$5,000	$75,000	As Arranged	Before Opening	Insurance Companies
Permits and Fees (12)	$2,000	$20,000	As Arranged	Before Opening	Utility Companies and Government Agencies
Beer and Wine License (13)	$500	$50,000	As Arranged	Before Opening	Government Agencies
Misc. Opening Costs (14)	$11,500	$45,000	As Arranged	Before Opening	RFS and Third Parties
Opening Inventory and Supplies (15)	$20,000	$40,000	As Arranged	Before Opening	Third Party suppliers and/or RFS
Grand Opening and Marketing	$5,000	$30,000	As Arranged	Before Opening	Third Party suppliers and/or RFS
Additional Funds – 3 Months (16)	$60,000	$110,000	As Incurred	As Incurred	Suppliers, Utilities, and Employees' Salaries
TOTAL	**$ 737,500**	**$ 1,922,000**			

Notes:

(1) We have prepared these above estimates based on our experience in the establishment and operation of Ruby's® Diner Restaurants in Southern California. The low estimated amount is for a smaller Restaurant, and the high estimated amount is for a larger Restaurant. These estimates exclude free-standing locations. A typical Ruby's® Diner is approximately 3,000 square feet. Many factors influence these estimated costs, such as the Restaurant's geographic location, size and type, condition of an existing structure, type of construction and local laws and requirements, among others.

(2) The low figure represents the Initial Fee for a third or subsequent Ruby's® Diner under a Multi-Unit Development Agreement and the high figure represents the Initial Fee for a single Ruby's® Diner. This fee is nonrefundable. RFS may offer franchises to prior employees, affiliates and/or entities in which affiliates have an interest at a reduced Initial Fee or no fee.

(3) As described in Item 11, if you are unable to staff the required Opening Team, we may staff the Opening Team with our employees, in which event you must reimburse us (or advance us, at our option) for the travel expenses of our employees.

(4) Initial management training is tuition-free, but you must pay for the costs of attendance, such as lodging, meals and transportation of trainees. You must pay the salaries of your own team members for their pre-opening training. In addition, your Operating Principal, General Manager, Multi-Unit Manager, if any, and at least two additional managers must attend the ServSafe Food Safety Certification program (or other third party food safety program which we designate), which is available for approximately $150 per person as of the date of this disclosure document, and is available to attend in person in many locations around the country and on-line.

(5) If you are unable to locate a site, we may require you to use the services of a site selection provider, which must be designated or approved by us.

(6) You will probably lease space from an existing shopping center, mall or other retail area, and your lessor may install tenant improvements for your Restaurant. The cost of commercial property varies widely, depending upon the location and conditions affecting the market for commercial property. The above estimates are based on RDI's experience in the establishment and operation of Ruby's® Diner Restaurants Southern California. Also, a lessor may require more than one month's rent as security deposit.

(7) Construction costs vary substantially, depending upon many factors, such as the location, size and type of property, local restrictions and requirements, willingness of the lessor to pay for all or part of such costs and the individual desires of the lessee/franchisee.

(8) These estimates are based upon the assumption that the equipment and point of sale (cash register) system will be purchased. You must also purchase a fax machine and computer with internet access. You may lease a portion of the equipment and cash register in which case a down payment and first and last month's lease payment may be required. If you open a larger Restaurant or purchase higher quality or higher quantities of any item, the amount of the payments will be higher than these estimates. If you are acquiring an existing Ruby's® Diner restaurant or converting an existing restaurant to a Ruby's® Diner restaurant, some of your existing kitchen, equipment and facilities may be adequate or require less work and expense to build to conform to our standards and specifications and may result in reduced construction costs and equipment purchases. This estimate includes purchase of a point of sale system estimated at $15,000 to $75,000.

(9) Signs include interior and exterior signs as well as menu boards. Local code restrictions may restrict the signage available for a certain restaurant and affect the costs. You may be able to lease the signs.

(10) The amounts of utility deposits vary widely depending on your Restaurant's location and your credit rating.

(11) You must carry insurance as required by the Franchise Agreement. The amount in the table represents RFS' estimate of the premiums required for liability, casualty and workers' compensation insurance during the Restaurant's first year of operation. Many factors influence these estimated costs, such as the Restaurant's geographic location and type and previous restaurant experience.

(12) Some cities have abnormally high water and sewer hook-up charges and/or other utilities. You should investigate these charges before purchasing a franchise or executing a lease.

(13) The low estimate contemplates that you already have a liquor license. The cost to obtain a limited liquor license varies greatly depending on the licensing authority involved and the local liquor license resale market, if any. In some states, municipality, county or other applicable governmental agencies restrict the number of liquor licenses available in a defined territory based on the population within the territory. In some places, a liquor license may not be attainable at all. If you intend to obtain a liquor license for your Restaurant you should carefully review the system and status of liquor licensing in your state and locality and determine availability and the expected range of costs. Under certain circumstances and with our prior written consent, you may obtain a full liquor license. The costs associated with a full liquor license may be significantly higher than the estimate provided above.

(14) The figures in the table do not include any provision for compensation for your time or labor. In addition, it is possible that you may finance a portion of the above costs. The foregoing figures do not take into account the finance charges and related costs of such financing. You are responsible for obtaining financing for the above costs, and the availability and terms of financing to you will depend upon such factors as the availability of financing generally, your creditworthiness, the collateral security that you may have and policies of lending institutions.

(15) Initial inventory and supplies includes primarily food products, beverages, uniforms, paper products, cleaning and other supplies and smallwares. The amount will vary depending on the anticipated sales volume as well as current market prices.

(16) This estimates your initial start-up expenses for 3 months. These estimates include amounts for cash reserves and opening losses. These figures are estimates and RFS cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: your management skill; experience and business acumen; local economic conditions; the local market; the prevailing wage rate; competition; and the sales level reached during the initial period.

GENERAL

All payments to RFS are non-refundable. Payments made to third parties may or may not be refundable depending on the payment terms agreed to by you and such third party. Except as expressly indicated otherwise in the charts above, these estimates describe your initial cash investment up to the opening of your Restaurant. They do not provide for your cash needs to cover any financing incurred by you or your other expenses. You should not plan to draw income from the operation during the start-up and development stage of your Restaurant, the actual duration of which will vary materially from restaurant to restaurant and cannot be predicted by us for your Restaurant (and which may extend for longer than the 3 month initial start-up phase described in Note 14 above). You must have additional sums available to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of your Restaurant. Because the exact amount of reserves will vary from operation to operation and cannot be meaningfully estimated by us, we urge you to retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your particular operation.

ITEM 8.
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Goods, Services, Supplies, Fixtures, Equipment, Inventory, Real Estate to Establish or Operate the Franchised Business:

Real Estate. If you are unable to find a location for your Restaurant, we may require you to use the services of a real estate or other vendor we designate or approve to assist you in determining the Restaurant location.

Equipment & Fixtures. You must cause the Restaurant to be constructed, equipped and improved in compliance with our standards and specifications. You must purchase and install, at your expense, all fixtures, furnishings, equipment (including the POS System, as defined in Item 11), decor, and signs as we direct. You may not install on or about your Restaurant any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting our standards and specifications without our prior written consent. You may purchase these items from a RFS-approved seller. In addition, you must engage an interior designer, kitchen supplier, architect and construction contractor that are experienced in restaurant design, development and construction and are duly licensed and qualified to conduct their respective business.

Goods, Supplies, Inventory and Services. You must serve all and only the products we authorize. The authorized products may not be the same at all Restaurants and may vary depending on the operating season, geographic location of the Restaurant or other factors. You must purchase and maintain in inventory Ruby's® authorized products as needed to meet reasonably anticipated consumer demand. You must purchase all products which bear any of our trademarks, solely and exclusively from RFS, our affiliates, or from a producer, manufacturer or supplier we designate ("Supplier"). We may specify certain proprietary ingredients, baked goods, and other food products, beverages, condiments and other products, which are grown, produced or manufactured in accordance with our proprietary recipes, specifications and/or formulas, or which are branded with the Marks, for use in your Restaurant ("Proprietary Products"). You may buy Proprietary Products only from us (if we sell them) or our Supplier.

We may designate certain non-proprietary ingredients, baked goods and other food products, condiments, beverages, raw materials, paper goods, fixtures, furnishings, equipment, uniforms, supplies, menus, packaging, forms, and other products and supplies which you may or must use or sell at your Restaurant ("Non-Proprietary Products"). You may use, offer or sell only those Non-Proprietary Products that we expressly authorize. You may purchase Non-Proprietary Products from (i) us or our affiliate, if we sell such Non-Proprietary Products; (ii) our Suppliers, or (iii) alternative suppliers you select that we approve in advance in accordance with the approval process described further below.

We will provide you with our Manuals and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services, and a list of approved Suppliers.

Computer Equipment. You must purchase electronic cash registers, computers, a fax machine, and all hardware and software that we require as described further in Item 11.

Advertising. You may not use any promotional materials and advertising until it has been submitted to and approved by us. If we have not notified you of disapproval within 10 business days after your submission for approval, the materials will be considered approved. You may not use our Marks on any computer medium or electronic medium, including the Internet, without our prior written consent, and then only in accordance with our policies and procedures.

Insurance. You must maintain suitable insurance coverage and minimum amounts specified in the Franchise Agreement, Manuals or by written notice. If you fail to obtain insurance, we may purchase it on your behalf at your expense. You may obtain additional insurance coverage as you feel necessary. You may purchase your insurance from any supplier.

Supplier Approval Process. If you wish to procure authorized Non-Proprietary Products from a supplier other than RFS or one that we have previously approved or designated, you must deliver written notice seeking approval of the supplier in the form and with such additional information as we require. The proposed supplier must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure, and must have demonstrated to our reasonable satisfaction (a) its ability to supply products meeting our specifications, (b) its reliability with respect to delivery and consistent quality of products or services, and (c) its ability to price the proposed products competitively. The proposed supplier must, at our request, furnish at no cost product samples, specifications and other information we may require, and allow us or our representatives to inspect the proposed supplier's facilities and establish economic terms, delivery, service and other requirements consistent with our other distribution relationships for other Ruby's® Diner restaurants. We will use our good faith efforts to notify you of our decision within 90 days after we receive your request for approval and all requested back-up information. If we revoke our approval of an item or supplier, you will have 30 days from our notice to stop offering, selling or using that item or supplier.

We may also require a supplier (i) to sell any product bearing our trademarks only to our franchisees and only pursuant to a Trademark License Agreement in a form we provide (which may require payment of a royalty), and (ii) to provide to us duplicate purchase invoices for our records and inspection.

You or your proposed supplier must pay us in advance (or if we request, reimburse us) our reasonably anticipated costs to review the supplier's application and all current and future reasonable costs and expenses, to inspect and audit the suppliers' facilities, equipment, and food products, and all product testing costs paid by RFS to third parties.

We negotiate volume purchase agreements with some vendors who offer products to you at discounted prices or other favorable terms. We may also negotiate purchase arrangements with distributors and manufacturers, including price terms for your benefit. We do not provide or withhold material benefits to you based on your use of designated or approved suppliers, but we may terminate your Franchise Agreement if you purchase unapproved products or from unapproved sources in violation of your Franchise Agreement. We and our affiliates reserve the right to collect rebates and other consideration from third party designated and approved Suppliers. The payment of these rebates or consideration may or may not be reasonably related to services we or our affiliates provide to these third parties.

We may establish a national, system-wide, regional or other purchasing or distribution programs for the purchase and/or distribution of certain goods, raw materials or supplies at reduced prices. If a purchasing or distribution program is established for the region where your Restaurant is located, you must participate in the program.

Categories of goods and services that RFS is the only approved supplier.

As of the issuance date of this disclosure document, you are not required to purchase any goods or services from us.

During our fiscal year ending December 27, 2015, our total revenue was $2,057,214, none of which was derived from required purchases or leases from franchisees. During RDI's fiscal year ending December 27, 2015, its total revenue derived from required purchases or leases was $0.

Some Products and Supplies are prepared according to specifications developed by RFS and its affiliates to assure uniformity of quality and consistency at reduced prices. These items are proprietary and/or bear the Ruby's® name. Suppliers must pay a license fee or other payment or allowance for these items. We and RDI received no such payments during the fiscal year ending December 27, 2015, but we reserve the right to receive marketing, administrative and other payments and allowances from Suppliers on account of purchases made by us and our affiliates, and by you and other franchisees. We also reserve the right to charge a mark-up in connection with Ruby's® brand products. We have no obligation to remit any portion of any such amounts to franchisees.

The estimated proportion of required purchases and leases to all purchases and leases by the franchisee of goods and services in establishing and operating the franchise business.

We estimate that substantially all of your expenditures for leases and purchases in establishing your Restaurant and on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications).

ITEM 9.
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
Site selection and acquisition/lease	Article 5 of Franchise Agreement; Section 6.1 of Multi-Unit Development Agreement	Item 11
Pre-opening purchases/leases	Article 5, Section 8.2 of Franchise Agreement; Section 6.1 of Multi- Unit Development Agreement	Item 8
Site development and other pre-opening requirements	Section 5.2 of Franchise Agreement; Section 6.1 of Multi-Unit Development Agreement	Items 6, 7 and 11
Initial and ongoing training	Article 6 of Franchise Agreement; Article 7 of Multi- Unit Development Agreement	Item 11
Opening	Sections 5.2, 6.3 of Franchise Agreement	Item 11
Fees	Articles 4 and 9; Sections 6.5 and 8.2 of Franchise Agreement; Article 5 of Multi-Unit Development Agreement	Items 5 and 6

Obligation	Section in Agreement	Disclosure Document Item
Compliance with standards and policies/Operating Manual	Article 8 of Franchise Agreement	Item 11
Trademarks and proprietary information	Article 12 of Franchise Agreement; Sections 1.3 and 10.1 of Multi- Unit Development Agreement	Items 13 and 14
Restrictions on products/ services offered	Articles 8, 10 of Franchise Agreement	Item 16
Warranty and customer service requirements	None	N/A
Territorial development and sales quotas	Section 2.1 of Multi-Unit Development Agreement	Item 12
Ongoing product/service purchases	Article 10 of Franchise Agreement	Item 8
Maintenance, appearance and remodeling requirements	Section 5.3 of Franchise Agreement	Item 11
Insurance	Article 18 of Franchise Agreement	Items 6 and 8
Advertising	Article 9 of Franchise Agreement; Southern California Advertising Co-op Addendum	Items 6 and 11
Indemnification	Section 19.2 of Franchise Agreement; Section 12.2 of Multi-Unit Development Agreement	Item 6
Owner's participation/ management/staffing	Section 6.1.1 of Franchise Agreement; Section 6.2 of Multi-Unit Development Agreement	Items 11 and 15
Records/reports	Article 11 of Franchise Agreement	Item 6
Inspections/audits	Sections 11.2 and 11.3 of Franchise Agreement	Items 6 and 11
Transfer	Article 15 of Franchise Agreement; Article 8 of Multi- Unit Development Agreement	Item 17
Renewal	Sections 3.2-3.5 of Franchise Agreement; Sections 4.2-4.4 of Multi-Unit Development Agreement	Item 17
Post-termination obligations	Article 17 of Franchise Agreement	Item 17
Non-competition covenants	Articles 13 and 14 of Franchise Agreement; Article 10 of Multi- Unit Development Agreement	Item 17
Dispute resolution	Article 21 of Franchise Agreement; Article 13 of Multi- Unit Development Agreement	Item 17

ITEM 10.
FINANCING

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

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

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

Pre-Opening Obligations

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

1. After you have located a site for your Restaurant, you will submit information concerning the site to us for our acceptance. If we do not accept the site within 30 days (or 15 days after receipt of receiving additional information we may request), it is deemed rejected. (Franchise Agreement, Section 5.1.1) You are solely responsible for selection of the site of your Restaurant, though we may, without obligation, assist you in locating a site. You may not construe any assistance we may provide, or our acceptance as a guarantee or other assurance that the site will necessarily be successful. The factors we consider in accepting Restaurant locations include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. (Franchise Agreement, Section 5.2). You must submit your proposed lease (or purchase agreement, as applicable) to us for acceptance at least 21 days before execution, and provide a fully executed copy promptly after execution. (Franchise Agreement, Section 5.3.1). Any lease for the Location must include a lease addendum containing certain additional terms required by us, in the form attached as Exhibit "B" to the Franchise Agreement.

2. We will provide you with our standard specifications for the décor, equipment and layout of a Ruby's® Diner restaurant and required improvements to be modified and conformed to the approved Location by your architect or contractor at your expense (Franchise Agreement, Section 5.4). You are responsible for the cost of construction and remodeling.

3. We provide an initial training program as described further below. (Franchise Agreement, Section 6.1).

4. Immediately before and after your Restaurant opens to the public, we will send an Opening Team to your Restaurant for at least 7 days to provide pre-opening and post-opening training, supervision and assistance. If you are signing your second or subsequent Franchise Agreement, you must provide a number of employees, satisfactory to us, from your existing Ruby's® Diner Restaurant(s), to be part of the Opening Team, as follows:

Restaurant Number	Number of RFS members in Opening Team*	Number of your members in Opening Team**
1st	8	0
2nd	6	3
3rd	4	6
4th	3	9
Each subsequent Restaurant	2	12

*We will select the exact number of RFS members in our Opening Team, case by case, in our discretion not to exceed the stated number.

**You must provide the number of Opening Team members described in the above tables. If you are unable to provide the required number of Opening Team members described above, we may staff the

Opening Team with our employees, in which event you must reimburse us (or advance us, at our option) for the travel expenses of our employees provided as a result of your failure or inability to timely provide the required number of employees for your Opening Team.

5. We will loan to you one copy of our confidential manuals to use during the term of the Franchise Agreement (the "Manuals"). The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply. (Franchise Agreement, Section 8.5.2). A copy of the table of contents of the Manuals as of the issuance date of this disclosure document is attached as Exhibit "J."

6. If you have executed a Multi-Unit Development Agreement, we will review your proposed site for each Restaurant. Upon our acceptance of a site, we will give you a copy of our then-current Franchise Disclosure Document, if required by applicable law, together with 2 execution copies of a Franchise Agreement for the site. (Exhibit "B", Section 6.1.4).

Site Selection and Lease (or Purchase)

If you already have a potential site for a Restaurant, you may propose the location to us. We may consent to the site after we have independently evaluated it. The site for the Restaurant will be identified in Exhibit "A" to the Franchise Agreement. If you do not have a proposed site, you will have 90 days following the Effective Date of the Franchise Agreement to find and obtain our consent to the site for the Restaurant. We recommend that you use a site location specialist to help you find potential sites for your Restaurant. We also will provide you with reasonable assistance in connection with the selection and evaluation of proposed Restaurant sites. You are solely responsible, however, for locating and obtaining a site which meets our standards and criteria and that is acceptable to us. If you are unable to locate a site, we may require you to use the services of a site selection provider, which must be designated or approved by us.

In the event that you enter into any type of lease or purchase agreement for the Restaurant premises, you must provide the lease or purchase agreement to us and receive our prior written acceptance of the lease or purchase agreement before you execute it. We have no responsibility for the lease or purchase agreement, and it is your sole responsibility to evaluate, negotiate and enter into the lease or purchase agreement for the Restaurant premises. Any lease for the premises must contain the "Restaurant Lease Addendum" attached as Exhibit "B" to the Franchise Agreement. You must provide us a copy of the lease and Restaurant Lease Addendum or purchase agreement within 5 days of their execution.

You must submit to us any information that we may require for the proposed Restaurant site. The general site and evaluation criteria that you should consider include demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses and restaurants, and other commercial characteristics, and the proposed location, size of premises, appearance and other physical characteristics. We will notify you in writing within thirty 30 days after we receive your complete site evaluation form and other materials we request whether we accept or reject the proposed Restaurant site. Our identification of a site, recommendation or approval of a site location specialist, review of a site or site lease, or acceptance or approval of a site does not constitute a guarantee, recommendation or assurance as to the suitability of the site for a Ruby's® Diner restaurant, or the success of the site or the Restaurant.

Length of Time to Open Franchised Business

We estimate the typical length of time between signing a Franchise Agreement and opening a Ruby’s® Diner restaurant is between 7 and 15 months, assuming that a location can be obtained and leased within one month after execution of the Franchise Agreement. If there are unforeseen delays, it could take considerably longer for you to open your Restaurant. Factors that may affect the length of time it takes you to open your Restaurant include the process of negotiating a lease, construction delays, drafting architectural plans, obtaining permits and whether the location was previously used as a restaurant (which may decrease the time to open).

You must open your Restaurant by the “Required Opening Date” identified in Exhibit “A” to your Franchise Agreement. If you fail to complete development and open your Restaurant by the Required Opening Date, we have the right terminate your Franchise Agreement.

Post-Opening Obligations

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

1. You may request assistance and advice from our home office staff, field representatives and training staff relating to the operation of your Restaurant. We will use our best efforts to diligently respond to such inquiries. (Franchise Agreement, Section 6.3.2)

2. As described more fully below, we will create, develop, and place advertising and promotional programs designed to promote and enhance all Restaurants. (Franchise Agreement, Section 9)

3. You may create your own ads for local use if the ads conform to our advertising standards. We will review your proposed local advertising materials and provide written approval or disapproval. (Franchise Agreement, Section 9.1)

4. We will periodically designate Proprietary Products and Non-Proprietary Products which you may or must stock and promote and some or all of which may be available for purchase from us. (Franchise Agreement, Sections 10.1-10.3)

5. At your request, we will review requests for approval of a new supplier for Non-Proprietary Products. (Franchise Agreement, Section 10.3)

Post-Opening Assistance

Although not required to do so under the Franchise Agreement, we will, at our option, provide the following additional assistance to you during the operation of your Restaurant:

1. In our sole discretion, we may send a representative to your Restaurant to provide advice, consultation or training, concerning the operation and performance of your Restaurant and compliance with the Manuals. (Franchise Agreement, Section 6.3.3)

2. We may periodically offer additional training programs covering such subjects as product production techniques, new recipes, marketing, bookkeeping, accounting and general operating procedures, and the establishment, development and improvement of computer systems. We may establish charges for such additional training courses. (Franchise Agreement, Section 6.4.1)

3. We may provide you with access to an electronic data storage and communication system ("Intranet") through which we may communicate with you and may disseminate the Manuals, updates thereto and other confidential information to you. We control all aspects of this system, including the content and functionality thereof. (Franchise Agreement, Section 8.4.3)

Advertising Councils

Presently, there is no advertising council composed of franchisees that advises us on advertising policies.

Advertising Program

As of this issuance date of this disclosure document, you must pay a Brand Fund Contribution equal to 1% of your Gross Sales to the marketing and promotional fund that we or our designee maintain (the "National Brand Fund"). Affiliate-owned and Company-owned Ruby's® Diner restaurants will contribute to the National Brand Fund on the same basis as franchisees.

We or our designee will use the Brand Fund Contributions to promote and enhance the image, identity or patronage of Ruby's® Diner restaurants. If we (or our designee) spend less than the total of all Brand Fund Contributions during any fiscal year, we (or our designee) may accumulate such sums for use in later years. If we advance money to the System Advertising Fund beyond what we (or our affiliates) must spend on account of our affiliate-owned and Company-owned Ruby's® Diner restaurants, we (or our affiliate, as applicable), will be entitled to reimbursement, plus interest at the rate equal to the Company's or affiliate's cost of funds.

The System Advertising Fund will be managed, administered, directed and operated by RFS or its designee. The System Advertising Fund may be maintained as a separate account or segregated administratively on the books of the holder, but may be commingled with its general operating funds. RFS or its designee will oversee and approve all advertising. We have assigned and delegated responsibility to operate, maintain and administer the System Advertising Fund to RDI. We may, in the future, assign and/or delegate those responsibilities to another affiliate or to a separate business entity established for that purpose.

The System Advertising Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System. RFS and its designee undertake no obligation to make advertising expenditures for you which are equivalent or proportionate to your Brand Fund Contributions, or to ensure that you will benefit directly or pro rata from the advertising or promotion conducted with the Brand Fund Contributions.

We may spend Brand Fund Contributions for national, regional, system-wide or local advertising, public relations or promotional purposes designed to promote and enhance the image, identity or patronage of Ruby's® Diner restaurants. Brand Fund Contributions may also be spent to conduct marketing studies and to produce and purchase advertising art, commercials, musical jingles, internet websites, intranet or other electronic data storage or communications systems, extranet, print advertisements, point of sale materials, media advertising, outdoor advertising art, email or other electronic or other web-based marketing programs, and direct mail pamphlets and literature. Brand Fund Contributions may also be spent to retain an advertising or public relations agency and for costs and expenses (including attorneys' fees) to collect unpaid or delinquent Brand Fund Contributions. Brand Fund Contributions of up to 0.5% of the Gross Sales of all Restaurants required to pay Brand Fund Contributions may be paid to RFS or its designee for its (or their) costs and expenses to operate a marketing department and to manage, administer, and direct the System Advertising Fund.

During our fiscal year ended December 27, 2015, the following percentages of advertising expenditures were made in the areas described below:

Category	Percentage of Expenditures
Production, media, research	62%
Media Placement	24%
Public and Community Relations	14%
Total	100%

No Brand Fund Contributions will be used for advertising to solicit new franchisees.

The System Advertising Fund is not audited. At your request, we will furnish to you within 120 days after the end of each of calendar year, an unaudited report containing the calculations of the Brand Fund Contributions that were expended during such calendar year and the amount remaining that will be carried over for use during the following year(s).

Regional Advertising

If, in the future, RFS establishes a local or regional advertising group ("Regional Advertising Group") in a region in which your Restaurant is located, you must participate in any Regional Advertising Group established for that region. You must contribute to the Regional Advertising Group as determined by RFS. (Franchise Agreement, Sections 9.2 & 9.4) Any company-owned or affiliate-owned Ruby's® Diner restaurants located within a region will contribute to the Regional Advertising Group on the same basis as franchised Ruby's® Diner restaurants. We may exempt certain franchisees from participating in any Regional Advertising Group, in our discretion. RFS may change, dissolve, or merge any Regional Advertising Group in its sole discretion. The entire amount of your Regional Advertising Group contribution, if any, will be credited against your local advertising requirements.

Southern California Regional Advertising Group

As of the issuance date of this disclosure document, RFS has established a Regional Advertising Group for Ruby's® Diner Restaurants located in Southern California (the "SoCal Regional Advertising Group"). If your Restaurant located in Los Angeles, San Diego, Orange, Riverside, San Bernardino, or Ventura county, you must sign the Southern California Addendum to the Franchise Agreement attached as Exhibit "C" to the Franchise Agreement and immediately participate in the SoCal Regional Advertising Group. If your Restaurant is located in Imperial, Kern or Santa Barbara county, you must sign the Southern California Addendum to the Franchise Agreement, but will not be required to participate in the SoCal Regional Advertising Group until written notice from us.

Local Advertising

You must spend a minimum of 1% percent of your Gross Sales on approved local advertising. (Franchise Agreement, Section 9.2), excluding any mall merchant association fees, payments to your lessor for advertising or similar expenses in excess of $6,000 annually. However, we encourage and strongly recommend that you spend at least 2% of your Gross Sales on local advertising. If you fail to spend the required minimum required amount for approved local advertising for any designated period, you must pay us the difference between what you should have spent on approved local marketing, advertising and promotion during that period and what you actually spent on those items during that period.

The format, content and media of all of your advertising must meet our specifications in our Manuals. You may not use any promotional materials and advertising until it has been submitted to and approved by us. If we have not notified you of approval within 10 business days after your submission for approval, the materials will be considered disapproved. (Franchise Agreement, Section 9.1).

Cap on Required Advertising Expenditures

We reserve the right to periodically increase the required Brand Fund Contribution, Regional Marketing Contribution and required local advertising expenditures upon written notice to you, provided that the combined amount of the Brand Fund Contribution, Regional Marketing Contribution and local advertising expenditures we require you to spend will not exceed 3% of Gross Sales. We have the right to determine the allocation of each category of marketing and advertising expenses.

Telephone Numbers and Directories

In addition to the Brand Fund Contribution, local advertising and Regional Marketing Contributions (if any), you must maintain, at your own expense, one or more telephone numbers which must be listed in the white pages of one or more telephone directories which we designate servicing your territory and any adjacent or nearby areas. You must conduct all telephone directory advertising under our then-current standards and specifications in the Manuals. (Franchise Agreement, Section 9.6).

Promotional Campaigns

We may periodically conduct promotional campaigns on a national or regional basis to promote products or marketing themes. You and each Regional Advertising Group must participate in all promotional campaigns which we may establish for the region in which your Restaurant is located.

Training

Our initial management training course is currently six weeks long and is held at our corporate headquarters in Newport Beach, California, at a Ruby's® Diner restaurant, at your Restaurant, or at some other location we may designate. There is no charge for up to five persons selected by you for this training, however, all expenses of you and your personnel incurred while attending or obtaining training will be borne entirely by you. We plan to hold training on an as-needed basis as we determine appropriate. If we determine, in good faith, that the individuals to receive the training have already been adequately trained as a result of prior involvement with a Ruby's® Diner or other Ruby's® brand restaurant, we may not provide the initial training.

A manager who has attended and completed our initial training course to our satisfaction, or who has been trained by a trainer certified by us and has and successfully completed (i) all food safety programs and/or certification programs required by applicable law; (ii) the ServSafe Food Safety Certification program (or other third party food safety program which we designate); and/or (iii) any additional or other programs we may designate (the "Third Party Food Safety Program(s)") and has obtained, and at all times maintained, all certifications issued by the Third Party Food Safety Program(s), must be working at your Restaurant at all times while your Restaurant is open to the public.

You may not open your Restaurant until your Operating Principal, General Manager, Multi- Unit Manager, if any, and at least two additional managers have (i) completed training to our satisfaction and (ii) successfully completed the Third Party Food Safety Program(s) and have obtained all certifications issued by the Third Party Food Safety Program(s). (Franchise Agreement, Section 6.1).

The following table outlines our initial management training course.

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Front of House Training inclusive of: - Server Training - Host/Cashier Training - Fountain Training - Takeout Program Training - Busser training - Expo training	30	30	In a Restaurant that we designate.
Manager Training inclusive of: - Service Philosophies - Recruiting & Hiring - Equipment Repair & Maintenance - Cash Handling Procedures - Purveyor Ordering Procedures - Operational Forms & Procedures - Local Store Marketing	50	150	In a Restaurant that we designate.
Kitchen Training inclusive of: - Food Preparation - Safety & Sanitation - Inventory Control - Forms & Procedures	10	50	In a Restaurant that we designate.
Transition Training inclusive of: - Unit specific opening and closing procedures - Unit specific P.O.S. Training - Operational and staff assessment - Goal planning	10	30	In a Restaurant that we designate.
Total	**100**	**360**	

Our training is conducted under the direction of our Operations Specialist Manager, Nick Profeta, who has over seven years of experience in the restaurant industry. Training is generally conducted by our Director of Training, Nick Profeta, who has over seven years of experience in the restaurant industry, as well as cook trainers, server trainers, host/cashier trainers, and others supervised by the General Manager of the Restaurant in which the training occurs and by our Director of Training. The training materials include the Manuals and other handouts.

We may periodically offer optional or mandatory additional training programs which your Operating Principal, General Manager, Multi-Unit Manager, if any, and other managers may or must attend, covering such subjects as product production techniques, new recipes, marketing, bookkeeping, accounting and general operating procedures, and the establishment, development and improvement of computer systems. Attendance by you or certain of your employees may be mandatory or optional, at our discretion. We may establish charges for additional training courses, which charges will be the same for all similarly situated franchisees. All expenses of you and your personnel incurred while attending or obtaining all training will be borne entirely by you.

In addition to the initial training and any additional training, you or your Operating Principal must attend all mandatory meetings that we designate, including our annual convention. We may charge a per person attendance fee for mandatory meetings, which will be the same for all similarly situated franchises. All expenses of you and your personnel incurred while attending any mandatory meetings or convention will be borne entirely by you.

Multi-Unit Development Agreement

At no additional charge, we will provide to up to 3 persons, selected by you and acceptable to us, an initial developer orientation program to familiarize you with our System and methods of operation. The initial developer orientation program is up to 2 weeks long, and is held at our corporate headquarters in Newport Beach, California, at a company-owned or franchised Restaurant, or at some other location we may designate. All expenses of you and your personnel incurred while attending or obtaining the developer orientation program will be borne entirely by you. We plan to hold the initial developer orientation program on an as-needed basis as we determine appropriate.

The following chart outlines the training RFS provides pursuant to the Multi-Unit Development Agreement:

Column 1 Subject	**Column 2 Hours of Classroom Training**	**Column 3 Hours of On-The-Job Training**	**Column 4 Location**
Franchise system overview, including an overview of the initial training program for individual Restaurants	Up to 10 hours	Up to 70 hours	At our corporate headquarters in Newport Beach, California, at a company-owned or franchised Restaurant, or at some other location we may designate.
Site selection, lease and approvals			
Marketing and brand development			
Accounting and finance			

* "On-The-Job Training" may include in the field driving to existing sites, and/or examples of potential sites.

Training begins approximately 1-2 weeks after signing Multi-Unit Development Agreement.

Our training is conducted by the RDI department head or other person responsible for the operation or procedure for affiliated owned restaurants, for example, real estate manager, marketing manager, treasurer or controller. The training materials consist of the Manuals and hand-outs.

POS System

You must purchase and maintain in the Restaurant the point-of-sale and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we may develop or select for the System (the "POS System"). An acceptable POS System is available from numerous manufacturers. We will approve any system that meets our specifications as described in the Manuals.

As part of the POS System, you must purchase a desktop computer capable of running the current version of the major personal computer operating systems, such as Windows XP or newer. You must obtain an e-mail account and connect to a broadband connection or other high speed communication medium as specified in the Manuals, and be capable of accessing the internet via a third party provider. If we establish and maintain a monitoring program of Restaurants located in the United States, you must purchase digital still and video cameras and all software and hardware necessary to enable you to send and receive email, digital photos and streaming video and audio or other multimedia signals, and information to and from your Restaurant. You must also buy certain software programs to use the applications RFS provides. We will approve any hardware and software that meets our specifications. The POS System must be maintained with the latest security patches within 60 days of being made available.

You may be required to obtain ongoing maintenance and repairs respecting the POS System, as well as upgrades or updates respecting any software. You may be required to pay us or our designated third-party supplier a fee for software access, ongoing support or updates to your POS System. There are no contractual limitations on the frequency and cost of additional maintenance or repair.

We periodically may update or change the POS System we designate in response to business, operations, marketing conditions, or changes in technology. We will not, however, require you to replace the POS System more than once every 3 years.

The approximate initial cost for the POS System is between $15,000 and $75,000, depending on the size of your Restaurant, the number of registers you purchase, the condition of your Location, and installation costs (including labor costs). As of the issuance date of this disclosure document, we estimate that fees payable to third parties under maintenance contracts related to the POS System will be approximately $400 per month.

You must permit RFS to access your POS System, information and files through any means requested, including electronic polling communications. We may designate a third-party provider to poll the POS System and retrieve information. You must reimburse us our expenses or, at our option, pay the cost of the third-party provider.

You must apply for and maintain systems for use of debit cards, credit cards, loyalty and gift cards and other non-cash payments methods currently existing or to be developed in the future to enable your customers to purchase products using these procedures. You must adhere to all Payment Card Industry (PCI), Cardholder Information Security Program (CISP) and Site Data Protection (SDP) compliance specifications, as may be amended periodically. (Franchise Agreement, Section 8.4).

Intranet

We may, though we have no obligation to, establish an electronic data storage and communications system ("Intranet") through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates thereto and other confidential information to you. If and when we establish an Intranet, you must connect the POS

System to the Intranet, and use the Intranet in accordance with our requirements as provided in the Manuals. We may designate a third-party provider to maintain the Intranet. You must reimburse us our expenses or, at our option, pay the cost of the third-party provider.

ITEM 12.
TERRITORY

Franchise Agreement

You will be permitted to operate your Restaurant at a specific location which we accept, as described in the Franchise Agreement. Our acceptance will be based upon a variety of factors which may include the viability of the then-current location and demographics including, number of households, household income and vehicular traffic. You may not relocate your Restaurant to any other location without our prior written consent. You may not operate any permanent or temporary cart, catering event, kiosk, other vending device or internet website or use the System or Marks in connection with any catering or delivery services without our prior written consent, for which we may require you to execute a separate addendum to your Franchise Agreement.

You will not receive an "exclusive" territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. For example, marketing programs and customers may cross over territory boundaries.

We will grant you a "Protected Territory" surrounding the Restaurant, which will be a 2 mile radius surrounding the location of your Restaurant. Your Protected Territory will not include any "Non-Traditional Venues" located within the geographic boundaries of the Protected Territory. A "Non-Traditional Venue" means a site which is located within another primary business or in conjunction with other businesses or at institutional settings, for example, airports, toll roads, supermarkets, public or private schools, colleges, universities, hospitals, cruise-ships, stadiums, convention centers, military and other governmental facilities, office or in-plant food facilities, supermarkets, grocery stores or convenience stores, and any other site, venue or location operated by a master concessionaire or contract food service provider, provided that, "Non-Traditional Venues" do not include food courts located within shopping malls, lifestyle centers, outlet malls or other similar retail shopping complexes that are contiguous with the counters of multiple food vendors and provide a common seating area with self-serve dining, unless the lessor, owner or operator of such food court has established operator qualification or conditions that we believe you do not satisfy and which would not be waived or modified by the site owner to allow you to execute a Franchise Agreement for such site.

Subject to our reserved rights below, during the term of the Franchise Agreement, neither we nor any of our affiliates will open, or franchise or license others to open, a Restaurant within your Protected Territory.

We expressly reserve the exclusive, unrestricted right, directly and indirectly, without any compensation to you, to: (a) own or operate (i) Ruby's® Diner restaurants and other restaurant establishments, which may take the form of any restaurant operated under a service mark that includes "Ruby's®" ("Ruby's® Brand Restaurants") at any location outside of your Protected Territory; (ii) Ruby's® Brand Restaurants at Non-Traditional Venues within and outside your Protected Territory, regardless of proximity to your Restaurant; and (iii) restaurants or stores operating under trademarks other than the Marks within and outside your Protected Territory, regardless of proximity to your Restaurant; (b) produce, license, distribute and market products, whether or not under the Ruby's® name or the Marks, including pre-packaged food, snacks and beverage products, books, clothing, souvenirs or novelty items, through any outlet, including grocery stores, supermarkets, and convenience stores, within and outside your Protected Territory, regardless of their proximity to your Restaurant, whether or not operating under the Ruby's® name or Marks; (c) produce, license, distribute and market products, whether or not under the Ruby's® name or the Marks, through other channels of distribution, at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods; (d) use the System or Marks in connection with catering or delivery services within your Protected Territory, including the operation of Ruby's® Diner food trucks; and (e) advertise and promote the Ruby's® system.

You do not have the right to use or sell in other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing. You are not restricted from soliciting or accepting orders from customers outside your Protected Territory. However, you are granted no exclusivity regarding customers, and nothing in the Franchise Agreement prevents us or any franchisee from serving or soliciting customers in your area.

Continuation of your franchise rights does not depend upon the volume of sales generated nor on your penetration of the market potential. We generally will not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within or outside of your Protected Territory.

As of the issuance date of this disclosure document, neither we nor any affiliate operated or franchised, or had any current plans to operate or franchise, any business selling the products and services authorized for sale at a Ruby's® Diner restaurant under any other trademark or service mark. We and our affiliates reserve the right, however, to engage in such activities. Certain officers of RFS and RDI own and operate the Lighthouse Café and The Beachcomber® restaurants located in southern California.

Multi-Unit Development Agreement

Under the Multi-Unit Development Agreement, you are granted the right to develop and operate multiple Restaurants within a specified Development Area, subject to our approval. The Development Area may be one or more cities, counties, states, or some other defined area. Subject to our reserved rights below, during the term of the Multi-Unit Development Agreement, provided you are in compliance with the terms of the Multi-Unit Development Agreement, we will not operate or grant a license or franchise to any other person to operate a Restaurant within your Development Area.

We expressly reserve the exclusive, unrestricted right, directly and indirectly, without any compensation to you, to: (a) own or operate (i) Ruby's® Brand Restaurants at any location outside of your Development Area; (ii) Ruby's® Brand Restaurants at Non-Traditional Venues within and outside your Development Area regardless of proximity to your Restaurants; and (iii) restaurants or stores operating under trademarks other than the Marks within and outside your Development Area, regardless of proximity to your Restaurants; (b) produce, license, distribute and market products, whether or not under the Ruby's® name or the Marks, including pre-packaged food, snacks and beverage products, books, clothing, souvenirs or novelty items, through any outlet, including grocery stores, supermarkets, and convenience stores, within and outside your Development Area, regardless of their proximity to your Restaurants, whether or not operating under the Ruby's® name or Marks; (c) produce, license, distribute and market products, whether or not under the Ruby's® name or the Marks, through other channels of distribution, at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods; (d) use the System or Marks in connection with catering or delivery services within your Development Area, including the operation of Ruby's® Diner food trucks; and (e) advertise and promote the Ruby's® system.

If you fail to meet any of your obligations under the Multi-Unit Development Agreement, including the development obligations, materially breach any Franchise Agreement executed by you pursuant to the Development Agreement, or materially breach of any other agreement between you and RFS, we may terminate your right to develop, open and operate new Restaurants in the Development Area. Termination of your development rights will not terminate any rights granted under the Franchise Agreements then in effect between you and RFS. After the expiration of the term of your Multi-Unit Development Agreement, subject to the limited additional development right described below, we may own, operate, franchise or license others to operate additional Restaurants anywhere, including in your Development Area.

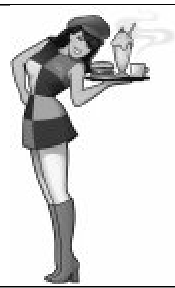
Except as described below, you may not open more Restaurants than the number provided in your Multi-Unit Development Agreement. If you desire to open additional Restaurants in your Development Area, you must notify us in writing the earlier of (1) 180 days before the expiration of your Multi-Unit Development Agreement, or (2) the date we issue our preliminary acceptance of the proposed site for the last restaurant required to meet your total development obligation. The notice must include your proposed plan for development over a 5 year term, including the number of proposed Restaurants and the proposed deadlines for the development of each Restaurant. If your proposed additional development is not acceptable to us, we will negotiate with you in good faith during the following 60 days in an effort to reach a mutually acceptable development obligation. If your proposed additional development obligation is acceptable to us, or if you and we agree to an alternative additional development obligation within the 60 day negotiation period described above, we will offer you a new Multi-Unit Development Agreement for the additional development of your Development Area.

ITEM 13.
TRADEMARKS

The Franchise Agreement licenses you to use the Marks listed in the table below, as well as other trademarks, service marks, trade names, domain names, logos and other commercial symbols we or our affiliates may use and register in the future for the System.

RDI is the registered owner of the following principal Marks:

Registration Number	Description of Mark	Principal/or Supplemental Register	Registration Date
2,583,186		Principal	June 18, 2002 Renewed June 24, 2012
4,573,346		Principal	July 22, 2014
4,573,347		Principal	July 22, 2014
2,739,832		Principal	July 22, 2003 Renewed May 7, 2013
1,611,327		Principal	August 28, 1990 Renewed February 26, 2011

Registration Number	Description of Mark	Principal/or Supplemental Register	Registration Date
2,380,158		Principal	August 29, 2000 Renewed March 6, 2011
1,631,936	Ruby's	Principal	January 15, 1991 Renewed March 1, 2011
4,721,006		Principal	April 14, 2015
1,590,271		Principal	April 3, 1990 Renewed April 8, 2010
1,591,014		Principal	April 10, 1990 Renewed March 31, 2010
2,387,100	Ruby's Diner	Principal	September 19, 2000 Renewed August 25, 2010
3,875,086	Ruby's Diner	Principal	November 9, 2010

RDI and RFS are parties to a Trademark and Intellectual Property License Agreement, effective June 1, 1990, under which RDI has granted us the right to use and sublicense the use of the Marks, for an unlimited period of time. RDI has filed all required affidavits for these Marks. We and RDI also claim common law trademark rights in the Marks.

Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court; or any pending infringement, opposition, or cancellation proceeding, or any pending material federal or state court litigation involving the Marks.

Agreements

Except as noted below, no agreements limit our rights to use or license the use of the Marks.

Ruby Tuesday Inc. and Ruby Tuesday Business Development, Inc. (collectively "RTI") alleged longstanding use of the mark "Ruby's" in connection with its "Ruby Tuesday" chain. Effective December 7, 1999, RDI and RTI entered into a worldwide agreement (the "1999 Agreement") providing that RDI and RTI are both entitled to use the mark "Ruby's" worldwide, subject to restrictions to avoid a likelihood of confusion. Pursuant to the 1999 Agreement, RDI kept its territorially unrestricted U.S. Federal Registration for the Mark "Ruby's." The 1999 Agreement has no express termination date, and the use restrictions are binding on the parties so long as the other party does not cease bona fide commercial use of a mark containing the term “Ruby’s” for restaurant services for a one year period.

Pursuant to the 1999 Agreement, RDI agreed (1) only to use “Ruby’s” in connection with Restaurants having a 1940s/1950s diner/malt shop motif, (2) to use “Ruby’s Diner” or a variation thereof (e.g., “Ruby’s Dinette,” “Ruby’s Autodiner,” “Ruby’s Aquadiner,” etc.) as the primary name of its restaurants, on exterior restaurant signs displayed on or near RFS’ restaurants, in telephone directory listings (both yellow pages and white pages) and in advertising not inside of its restaurants anywhere in the world, (3) to only use “Ruby’s” on exterior signage in connection with the term “Ruby’s Diner” or a variation thereof anywhere in the world. RDI may also use the mark “Ruby’s” by itself, inside its restaurants in connection with menus, interior signage, inside-the-restaurant promotions, on table cards and for internal communications anywhere in the world.

Trademark Protection

We do not know of any infringing uses that could materially affect your use of the Marks.

If you learn of any alleged infringement of the Marks or challenge to your use of the Marks under the terms of the Franchise Agreement, you must notify us immediately. While we are not required to defend you against a claim based on your use of the Marks, we will indemnify you against any loss, cost or expense you incur as a result of a claim challenging your right to use the Marks, unless the loss, cost or expense results from your misuse of the Marks in violation of the Franchise Agreement. You may not settle or compromise any trademark claim without our prior written consent. We may defend, compromise or settle these claims at our sole cost and expense, using attorneys of our own choosing and you must cooperate fully with us in the defense of such claims.

Both during the term of the Franchise Agreement and afterwards you must not directly or indirectly contest, derogate, disparage or impugn any of the Marks.

Modification

Periodically, in the Manuals or in directives or supplemental bulletins, we may add to, delete, or modify any or all of the Marks. You must modify or discontinue the use of a Mark, at your expense, if we modify or discontinue it. We will not compensate you for any modification or discontinuation of the Marks. You must adopt any new Mark we adopt.

ITEM 14.
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights material to the franchise and we have no pending patent applications that are material to the franchise. However, you must operate your business in accordance with our standards, specifications, policies and procedures in the Manuals or otherwise communicated to you. You must treat the information contained in the Manuals and any other manuals or supplemental material supplied by us as confidential. The Manuals are our property and you may not duplicate, copy, disclose or disseminate the contents of the Manuals at any time, without our prior written consent. We may modify or supplement the Manuals upon notice or delivery to you. You must keep the Manuals current at all times, and upon the termination or non-renewal of your franchise return all Manuals to us.

You may not communicate, divulge or use any confidential information concerning our methods or procedures during or after the term of the Franchise Agreement. Information we make available to you may not be divulged to any person other than your employees or financial advisors who reasonably require access to such information for purposes of fulfilling their employment or contractual responsibilities. You must inform your employees to whom the information, or any of it, is made available of this obligation of confidence. You must obtain a written agreement (on our standard form attached as Exhibit "C") imposing an obligation of confidence from each person having access to the Manuals or other confidential information.

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

Franchise Agreement

We do not require that you personally supervise your Restaurant, however, a manager who has attended and completed all required training to our satisfaction, must be working at your Restaurant at all times while your Restaurant is open to the public. In addition, you must designate a Principal Owner (defined below) as "Operating Principal," to be approved by us in writing, who will act as your authorized representative, and must devote substantial full time and best efforts to the supervision and conduct of your Restaurant.

If you are a corporation, limited liability company, limited partnership or other business entity, all shareholders, members and partners holding a 10% or greater interest in Franchisee (each a "Principal Owner"), and each of their spouses (as applicable), must execute a personal guaranty in the form we require, attached as Exhibit "D" to this disclosure document ("Guaranty"). By executing the Guaranty, the Principal Owners and their spouses unconditionally guarantee your full performance of all of your obligations under all agreements between you and RFS.

Multi-Unit Development Agreement

You must designate an individual, approved by us, as your "Multi-Unit Manager." The Multi-Unit Manager must retain responsibility for oversight of the day-to-day operations of all of your Restaurants. You must obtain a written agreement (on our standard form) imposing an obligation of confidence from each person having access to the Manuals or other confidential information, including your Owners, the Multi-Unit Manager, any managers, and each of their spouses (as applicable).

ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all, and only, those goods and services that we have approved. Products may vary depending on the geographic location of your Restaurant or other factors. We may add, delete, and change menu items that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment for the preparation or storage of such products. You will have a minimum of 30 days after you receive written notice to add new products to the menu to fully implement the change. You must cease selling any previously approved or discontinued products within 30 days after your receive written notice that the product is no longer approved.

You may serve customers only from your Restaurant. You may not operate any permanent or temporary cart, catering event, kiosk, other vending device or internet website or use the Ruby's® system or Marks in connection with any catering or delivery services without our prior written consent, for which we may require you to execute a separate addendum to your Franchise Agreement.

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

No vending, gaming machines, internet kiosks or other mechanical or electronic devices are permitted in your Restaurant without our prior written consent.

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

THE FRANCHISE RELATIONSHIP

These tables list certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Franchise Agreement

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 3.1	10 years
b. Renewal or extension of the term	Section 3.2	If you are in good standing, you may renew for 2 additional terms of 5 years each.
c. Requirements for you to renew or extend	Sections 3.3 and 3.4	Although we use the term “renewal” to refer to extending our franchise relationship at the end of your initial term (and any other renewal or extension of the initial term), you must sign out then-current form of franchise agreement which may contain materially different terms and conditions than your Franchise Agreement. You must: have complied with your obligations during the Term; at our request, renovate or modernize your Restaurant to comply with our then-current standards for a new Ruby’s® Diner restaurant; sign a new Franchise Agreement; sign a general release; provide documentation evidencing your right to maintain the Restaurant premises during the renewal term.
d. Termination by you	Not Applicable	
e. Termination by RFS without cause	Not Applicable	
f. Termination by RFS with cause	Sections 16.1 and 16.6	RFS can terminate only if you default under your Franchise Agreement, if a material default occurs under any other agreement between you and RFS, or if any other agreement between you and RFS is terminated (except if the other agreement is a Multi-Unit Development Agreement and the only grounds for termination of that Multi-Unit Development Agreement is failure to meet the development obligations).
g. “Cause” defined - defaults which can be cured	Section 16.4	You have 5 days to cure non-payment of fees, 10 days to cure non-compliance with laws and defaults not listed in Sections 16.2 and 16.3

Provision	Section in Franchise Agreement	Summary
h. “Cause” defined - defaults which cannot be cured	Sections 16.2 and 16.3	Non-curable defaults: bankruptcy; insolvency; disposition for benefit of creditors, permitting a judgment of more than $5,000 to exist for more than 30 days; if the Restaurant or its assets are seized or foreclosed and a final judgment remains unsatisfied for 30 days; a levy of execution of attachment upon property used in the Restaurant and not discharged within 5 days; existence of a mechanics lien against any of the equipment, you permit a judgment to be entered against us relating to the operation of the Restaurant; conviction of a felony; abandonment; unapproved transfers; repeated defaults, even if cured; misrepresentations in acquiring your franchise; violation of law which is not cured within 10 days; health and safety violations which endanger the public; trademark and confidential information misuse; knowingly understating your Gross Sales; any breach relating to unfair competition described in Section 13.1.
i. Your obligations on termination / nonrenewal	Section 17.1	You must cease use of our system, trade secrets, trademarks, de-identify, pay all amounts due to us, return the Manuals to us, cancel or assign to us any internet and website home pages, domain name listings and registrations which contain our Marks, disconnect or assign all telephone numbers to us, comply with all non-competition covenants. At our election, you must sell us all of your Ruby’s® Brand products and proprietary and nonproprietary products bearing our Marks, which are in new and re-saleable condition and in sealed and unopened containers, at your actual direct cost. In addition, at our option, you must assign the lease for the Location (or, if you own the Location, sell your interest in the Location) to us.
j. Assignment of contract by RFS	Section 15.1	No restriction on our right to assign.
k. “Transfer” by you - definition	Section 15.2	Includes transfer of the agreement or change in ownership of the Franchisee entity.
l. RFS’ approval of transfer by franchisee	Section 15.2	Transfers require our prior written consent, which may be withheld for any reason, in our sole judgment.

Provision	Section in Franchise Agreement	Summary
m. Conditions for RFS' approval of transfer	Section 15.2	Transferee: must qualify, assume your obligations under the Franchise Agreement, complete training, sign our then-current franchise agreement, pay transfer fee, training fee (if applicable) and opening team fee (if applicable). You must provide us with an estoppel agreement and a list of all persons having an interest in the Franchise Agreement or in the Franchisee, pay all amounts then- due to RFS, and sign a general release (See also "r" below). You must concurrently assign all other Franchise Agreements executed pursuant to a Multi-Unit Development Agreement to the same assignee.
n. RFS' right of first refusal to acquire your business	Section 15.2.4	We can match any offer for your business.
o. RFS's option to purchase your business	Section 17.1.7	Upon termination or expiration of the Franchise Agreement, at our election, you must also sell us any and all of the restaurant improvements (including equipment, interior and exterior signs) used in connection with your Ruby's® Diner restaurant, as applicable, at your actual cost, less a depreciation deduction computed on a straight-line basis over a 5 year useful life for the respective items (but in no event less than 10% of your actual original costs for each purchased item.
p. Your death or disability	Section 16.3.2	Same requirements as for transfer in "m" above, except there is no transfer fee and we do not have right of first refusal. If your interest is not transferred within 6 months following your (or a major member, partner or shareholder's) death or legal incapacity, your Franchise Agreement will be automatically terminated.
q. Non-competition covenants during the term of the franchise	Sections 13 and 14	Unless we agree otherwise in writing, no involvement in any "Competitive Business" defined as any business that owns, operates, lends to, advises, any business that is the same or similar to a Ruby's® Diner or other Ruby's® brand Restaurant, including, but not limited to, food trucks and full service or fast-casual restaurants and other food service business which primarily features hamburgers, shakes or malts using a 1940's/1950's malt shop/diner design, or a Mid-Century Modern inspired design and architecture reminiscent of diners, malt shops, and grills of the 1960's. You may not induce, contract, solicit to employ or employ any person currently employed, or employed during the prior 6 months, by RFS, its affiliates, its franchisees or multi-unit developers.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Sections 13.1.2 and 14.2	Unless we agree otherwise in writing, no involvement in any Competitive Business (defined above), for 1 year within 10 miles from the former Restaurant location or the location of any Ruby's® brand restaurant existing at the time of termination or expiration. You may not induce, contract, solicit to employ or employ any person currently employed, or employed by RFS, its affiliates, its franchisees or multi-unit developers during the 6 months prior to termination or expiration of the Franchise Agreement, for one year after termination or expiration of your Franchise Agreement.
s. Modification of the agreement	Sections 8.5, 22.8	The Manuals are subject to change. Modifications become effective upon delivery of written notice to you, unless the notice specifies a longer period. Modifications to the Franchise Agreement must be in a writing signed by both parties.
t. Integration/ merger clause	Section 23.8	All agreements between the parties are in the Franchise Agreement and its exhibits. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in this franchise disclosure document. Only the terms of the franchise agreement are binding (subject to 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	Article 21	Except for certain matters which may be brought in court, all disputes must be resolved by arbitration in Orange County, California, and will be governed by the Federal Arbitration Act.
v. Choice of forum	Sections 22 and 23.7	Subject to state law, Orange County, California is the venue for arbitration and any litigation, and both of us waive the right to a trial by jury.
w. Choice of law	Section 23.7	Delaware law applies, except for the provisions respecting non-competition, which are governed by local law.

Multi-Unit Development Agreement.

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 4.1	The number of years covered by the development obligation, typically 2 to 7 years.
b. Renewal or extension of the term	Section 4.2-4.3	You do not have the right to renew your Multi-Unit Development Agreement. However, if you are in good standing and desire further development of your Development Area, you may propose a development schedule for additional restaurants in your Development Area. If we and you mutually agree on an additional development obligation, you will have a right to execute a new Multi-Unit Development Agreement to develop additional Restaurants in your Development Area as mutually agreed.
c. Requirements for you to renew or extend	Section 4.4	You must: be in good standing under your Multi-Unit Development Agreement and all other agreements with us; demonstrate financial capacity to perform the additional development obligations; sign new multi-unit development agreement and pay development fee. You and your affiliates who have a currently existing franchise agreement or multi-unit development agreement with RFS must sign a general release.
d. Termination by you	Not Applicable	
e. Termination by RFS without cause	Not Applicable	
f. Termination by RFS with cause	Section 11.1	RFS can terminate if you materially default under your Multi-Unit Development Agreement, an individual Franchise Agreement, or any other agreement between you and RFS.
g. "Cause" defined - defaults which can be cured	Section 11.1	You have 30 days to cure faults not listed in Section 11.1
h. "Cause" defined - defaults which cannot be cured	Section 11.1	Unapproved transfers; bankruptcy or insolvency; permitting a lien of more than $10,000 to exist for more than 30 days; failure to meet development obligation; any breach relating to confidentiality or unfair competition described in Article 10.
i. Your obligations on termination / nonrenewal	Section 4.5	You will have no further right to develop or operate additional Restaurants which are not, at the time of termination, the subject of a then existing Franchise Agreement between you and RFS. You may continue to own and operate all Restaurants pursuant to existing Franchise Agreements.
j. Assignment of contract by RFS	Section 8.1	No restriction on our right to assign.

Provision	Section in Franchise Agreement	Summary
k. “Transfer” by you - definition	Section 8.3	Includes transfer of the Multi- Unit Development Agreement or changes in ownership of the entity which owns it.
l. RFS’ approval of transfer by developer	Sections 8.3	Transfers require our prior written consent, which may be withheld for any reason whatsoever, in our sole discretion.
m. Conditions for RFS’ approval of transfer	Section 8.4	Except as described below, you may not transfer any Franchise Agreement executed pursuant to the Multi- Unit Development Agreement unless you assign your Multi-Unit Development Agreement and all of the Franchise Agreements executed pursuant to the Multi- Unit Development Agreement to the same assignee. Under certain circumstances, we may allow you, when you sign a Franchise Agreement, to assign that individual Franchise Agreement to a separate business entity which you control, in which case you, and all holders of 10% or more of the equity or voting rights of any franchisee under any and all Franchise Agreements executed pursuant to your Multi-Unit Development Agreement, must sign a guaranty.
n. RFS’ right of first refusal to acquire your business	Section 8.3.4	We can match any offer for your business.
o. RFS’s option to purchase your business	Not Applicable	
p. Your death or disability	Section 8.3.2	Same requirements as for a transfer in “m” above.
q. Non-competition covenants during the term of the franchise	Sections 10.2.1 and 10.3	Unless we agree otherwise in writing, no involvement in any Competitive Business. You may not induce, contract, solicit to employ or employ any person currently employed, or employed during the prior 6 months, by RFS its affiliates, its franchisees or multi-unit developers.

Provision		Section in Franchise Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Sections 10.2.2 and 10.3	Unless we agree otherwise in writing, no involvement in any Competitive Business for 1 year following termination or expiration: (a) within your Development Area, or (b) within 10 miles from the location of any Ruby's® brand restaurant existing at the time of termination or expiration. You may not induce, contract, solicit to employ or employ any person currently employed, or employed by RFS, its affiliates, its franchisees or multi-unit developers during the 6 months prior to termination or expiration of the Multi-Unit Development Agreement, for one year after termination or expiration of your Multi-Unit Development Agreement.
s.	Modification of the agreement	Section 12.9	The Multi-Unit Development Agreement can be modified or amended only by written agreement of all of the parties.
t.	Integration/ merger clause	Section 12.9	All agreements between the parties are in the Multi-Unit Development Agreement and its exhibits. Nothing in the Multi-Unit Development Agreement or in any related agreement is intended to disclaim the representations made in this franchise disclosure document. Only the terms of the Multi-Unit Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and multi- unit development agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Article 13	All disputes must be resolved by arbitration in Orange County, California and will be governed by the Federal Arbitration Act.
v.	Choice of forum	Article 13	Except as prohibited by law, all disputes must be arbitrated and litigated in Orange County, California, and will be governed by the Federal Arbitration Act.
w.	Choice of law	Section 12.8	Delaware law applies, except for the provisions respecting non-competition, which are governed by local law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

ITEM 18.
PUBLIC FIGURES

We currently do not use any public figure to promote our franchise.

ITEM 19.
FINANCIAL PERFORMANCE REPRESENTATION

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.

This Item 19 includes average annual Gross Sales information of franchised and affiliate-owned Ruby's® Diner restaurants in operation for the entire calendar years ended December 31, 2015 and December 31, 2014, presented separately and divided into tertiles. "Gross Sales" means all revenues from the sale of all products and services sold or prepared in a Ruby's® Diner restaurant or which are promoted or sold under any of Ruby's® trademarks, whether for cash or credit, and regardless of collection in the case of credit. Gross Sales does not include sales tax or use tax, tips or gratuities, or proceeds from isolated sales of certain trade fixtures.

FRANCHISED RESTAURANTS

<u>2015 Gross Sales Information</u>

The table below includes Gross Sales information for the 14 franchised restaurants that were open and operating during the entire calendar year ended December 31, 2015. Gross Sales information is not included for the remaining 4 franchised restaurants in operation as of December 31, 2015 because they were not open for the entire calendar year or we did not receive complete financial information from these franchisees.

Because the table below presents the Gross Sales results of 14 franchised restaurants, the tertiles presented below cannot be divided into equal groups. As a result, the first and second tertiles each present Gross Sales information for 5 restaurants, and the third tertile presents Gross Sales information for 4 restaurants.

The first tertile includes the average Gross Sales of the 5 franchised restaurants with the highest Gross Sales for the 2015 calendar year. The second tertile includes the average Gross Sales of the 5 franchised restaurants with the second highest Gross Sales for the 2015 calendar year. The third tertile includes the average Gross Sales of the 5 franchised restaurants with the third highest Gross Sales for the 2015 calendar year.

Tertile	Number of Restaurants	Gross Sales Range	Average Gross Sales	Restaurants that Met or Exceeded Average Gross Sales
1	5	$2,187,653-$5,521,730	$3,360,341	2 (40%)
2	5	$1,860,161-$2,130,085	$1,999,396	3 (60%)
3	4	$1,414,246-$1,804,792	$1,584,650	2 (50%)
Total	14	$1,414,246-$5,521,730	$2,366,949	4 (28.6%)

<u>2014 Gross Sales Information</u>

The table below includes Gross Sales information for the 13 franchised restaurants that were open and operating during the entire calendar year ended December 31, 2014. Gross Sales information is not included for the remaining 9 franchised restaurants in operation as of December 31, 2014 because they were not open for the entire calendar year or we did not receive complete financial information from these franchisees.

Because the table below presents the Gross Sales results of 13 franchised restaurants, the tertiles presented below cannot be divided into equal groups. As a result, the first tertile presents Gross Sales information for 5 restaurants, and the second and third tertiles each present Gross Sales information for 4 restaurants.

The first tertile includes the average Gross Sales of the 5 franchised restaurants with the highest Gross Sales for the 2014 calendar year. The second tertile includes the average Gross Sales of the 4 franchised restaurants with the second highest Gross Sales for the 2014 calendar year. The third tertile includes the average Gross Sales of the 4 franchised restaurants with the third highest Gross Sales for the 2014 calendar year.

Tertile	Number of Restaurants	Gross Sales Range	Average Gross Sales	Restaurants that Met or Exceeded Average Gross Sales
1	5	$2,125,373-$5,314,305	$3,253,753	2 (40%)
2	4	$1,952,328-$2,110,910	$2,011,964	2 (50%)
3	4	$1,490,586-$1,915,047	$1,712,078	2 (50%)
Total	13	$1,490,586-$5,314,305	$2,397,303	4 (30.8%)

AFFILIATE-OWNED RESTAURANTS

2015 Gross Sales Information

The table below includes average annual Gross Sales of 14 affiliate-owned Ruby's® Diner restaurants in operation for the entire calendar year ended December 31, 2015, divided into tertiles. Gross Sales information is not included for the remaining 3 affiliate-owned restaurants in operation as of December 31, 2015 because (i) we did not receive complete financial information from these affiliates, (ii) they were not open for the entire calendar year, or (iii) the restaurants are located at Non-Traditional Venues, and therefore operate under a format that varies substantially from the franchise offered to you under this disclosure document.

Because the table below presents the Gross Sales results of 14 affiliate-owned restaurants, the tertiles presented below cannot be divided into equal groups. As a result, the first and second tertiles each present Gross Sales information for 5 restaurants, and the third tertile presents Gross Sales information for 4 restaurants.

The first tertile includes the average Gross Sales of the 5 affiliate-owned restaurants with the highest Gross Sales for the 2015 calendar year. The second tertile includes the average Gross Sales of the 5 affiliate-owned restaurants with the second highest Gross Sales for the 2015 calendar year. The third tertile includes the average Gross Sales of the 4 affiliate-owned restaurants with the third highest Gross Sales for the 2015 calendar year.

Tertile	Number of Restaurants	Gross Sales Range	Average Gross Sales	Restaurants that Met or Exceeded Average Gross Sales
1	5	$2,566,566 - $2,899,034	$2,745,935	3 (60%)
2	5	$1,767,518 - $2,338,457	$2,018,446	3 (60%)
3	4	$1,147,770 - $1,727,383	$1,484,799	2 (50%)
Total	14	$1,147,770 - $2,899,034	$2,125,793	6 (42.9%)

2014 Gross Sales Information

The table below includes Gross Sales information for the 14 affiliate-owned Ruby's® Diner restaurants that were open and operating during the entire calendar year ended December 31, 2014. Gross Sales information is not included for the remaining 5 affiliate-owned restaurants in operation as of December 31, 2015 because (i) we did not receive complete financial information from these affiliates, (ii) they were not open for the entire calendar year, or (iii) the restaurants are located at Non-Traditional Venues, and therefore operate under a format that varies substantially from the franchise offered to you under this disclosure document.

Because the table below presents the Gross Sales results of 14 affiliate-owned restaurants, the tertiles presented below cannot be divided into equal groups. As a result, the first and second tertiles each present Gross Sales information for 5 restaurants, and the third tertile presents Gross Sales information for 4 restaurants.

The first tertile includes the average Gross Sales of the 5 affiliate-owned restaurants with the highest Gross Sales for the 2014 calendar year. The second tertile includes the average Gross Sales of the 5 affiliate-owned restaurants with the second highest Gross Sales for the 2014 calendar year. The third tertile includes the average Gross Sales of the 4 affiliate-owned restaurants with the third highest Gross Sales for the 2014 calendar year.

Tertile	Number of Restaurants	Gross Sales Range	Average Gross Sales	Restaurants that Met or Exceeded Average Gross Sales
1	5	$2,577,208 - $2,875,575	$2,755,590	3 (60%)
2	5	$1,923,316 - $2,241,684	$2,086,918	2 (40%)
3	4	$558,075 - $1,779,015	$1,447,210	3 (75%)
Total	14	$558,075 - $2,875,575	$2,142,956	7 (50%)

GENERAL INFORMATION

The Ruby's® Diner restaurants presented above have earned this amount. Your individual results may differ. There is no assurance that you will achieve the same or similar results. Written substantiation of the data used in preparing this financial performance representation will be made available to you upon reasonable request. The information in the tables above is based on information provided to us by our affiliates and franchisees and we have not independently verified that it is accurate.

The financial performance figures provided above do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Restaurant. Franchisees or former franchisees listed in this disclosure document may be one source of this information.

Many factors, including without limitation location, size, menu and drink items offered, management capabilities and experience, and local market conditions, will be unique to each Ruby's® Diner restaurant and may significantly impact the financial performance of that restaurant. You are responsible for analyzing these factors and developing your own business plan for your Restaurant. In developing a business plan, you are cautioned to make necessary allowance for changes in financial results to income, expenses or both that may result from operation of the Restaurant during periods of, or in geographic areas suffering from, economic downturns, inflation, unemployment, or other negative economic influences.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mark Lyso, at 201 Shipyard Way, Suite E, Newport Beach, California 92663, telephone number (949) 644-7829, ext. 158, the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20.
OUTLETS AND FRANCHISE INFORMATION

Table No. 1

Systemwide Franchised Restaurants Summary For Years 2013 through 2015

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2013	22	22	0
	2014	22	22	0
	2015	22	18	-4
Company- Owned*	2013	16	16	0
	2014	16	19	+3
	2015	19	17	-2
Total Outlets	**2013**	**38**	**38**	**0**
	2014	**38**	**41**	**+3**
	2015	**41**	**35**	**-6**

*

These restaurants are owned by RFS' affiliate, RDI, and partnerships in which RDI is the general partner.

Table No. 2

Transfers of Outlets from Franchisee to New Owners (other than the Franchisor)
For Years 2013 through 2015

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Total	**2013**	**0**
	2014	**0**
	2015	**0**

Table No. 3
Status of Franchised Outlets For Years 2013 through 2015

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewal	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
California	2013	15	0	0	0	0	0	15
	2014	15	1	0	0	1	1	14
	2015	14	0	0	0	1	1	12
Hawaii	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	1	0
Nevada	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
New Jersey	2013	1	0	0	0	0	0	1
	2014	1	1	0	0	0	0	2
	2015	2	0	0	0	0	1	1
Pennsylvania	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
Texas	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Totals	**2013**	**22**	**0**	**0**	**0**	**0**	**0**	**22**
	2014	**22**	**2**	**0**	**0**	**1**	**1**	**22**
	2015	**22**	**0**	**0**	**0**	**1**	**3**	**18**

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Table No. 4
Status of Company-Owned Outlets* For Years 2013 through 2015

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
California	2013	15	1	0	0	0	16
	2014	16	1	1	0	0	18
	2015	18	0	1	2	0	17
Hawaii	2013	0	0	0	0	0	0
	2014	0	1	0	0	0	1
	2015	1	0	0	1	0	0
Totals	**2013**	**15**	**1**	**0**	**0**	**0**	**16**
	2014	**16**	**2**	**1**	**0**	**0**	**19**
	2015	**19**	**0**	**1**	**3**	**0**	**17**

*****This table includes restaurants owned by RDI, and partnerships in which RDI is the general partner.

Table No. 5
Projected Openings As of December 31, 2015

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchise Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year*
California	0	3	0
Total	**0**	**3**	**0**

* This column includes projected Restaurants to be owned by RDI, and projected Restaurants to be owned by partnerships in which RDI is the general partner.

Attached as Exhibit "G" is a list of the names, addresses and telephone numbers of all RFS franchisees as of December 31, 2015.

Attached as Exhibit "G" is a list of the name, address and last known telephone number of all franchisees who have had a Franchise Agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement during 2015 or have failed to communicate with us within 10 weeks of the issuance date of this disclosure document.

No franchisee has had a Multi-Unit Development Agreement terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Multi-Unit Development Agreement during our last fiscal year, and no franchisee has failed to communicate with us within 10 weeks of the date of this disclosure document.

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

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

ITEM 21.
FINANCIAL STATEMENTS

Attached as Exhibit "F" are "Financial Statements and Report of Independent Certified Public Accountants for Ruby's Franchise Systems, Inc., Years ended December 27, 2015, December 28, 2014 and December 29, 2013."

Also attached as Exhibit "F" are unaudited financial statements as of July 10, 2016.

THE UNAUDITED FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

ITEM 22.
CONTRACTS

Attached to as exhibits to this disclosure document are our current forms of the following agreements:

Exhibit "A"	Franchise Agreement
Exhibit "B"	Multi-Unit Development Agreement
Exhibit "C"	Confidentiality Agreement
Exhibit "D"	Guaranty
Exhibit "E"	General Release

ITEM 23.
RECEIPT

Two copies of an acknowledgement of your receipt of this disclosure document appear as Exhibit "K." Please return one copy to RFS and retain the other for your records.

EXHIBIT A.

FRANCHISE AGREEMENT

RUBY'S FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT

BY AND BETWEEN

RUBY'S FRANCHISE SYSTEMS, INC. AND

____

Dated: ____

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RUBY'S FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made this _____________ day of ____________________, 20______ (the "Effective Date") by and between **RUBY'S® FRANCHISE SYSTEMS, INC.**, **a California corporation** ("Company"), and ____ a ________________________________ ("Franchisee").

Ruby's Diner, Inc. ("RDI"), an Affiliate of Company, owns, and has granted Company the right to license and sublicense, certain proprietary and other property rights and interests in and to the Ruby's® trademark and service mark, and such other trademarks, service marks, logo types, insignias, trade dress, designs, and commercial symbols as RDI may from time to time authorize in connection with the operation of Ruby's® Diner restaurants ("Marks").

A. Company and/or RDI have developed and continue to develop, and Company has the right to license and sublicense, systems for the operation of "Ruby's® Diner" restaurants, featuring a retro-modern décor. Franchisee's Restaurant will operate under a system featuring distinctive signs, recipes, and various Trade Secrets (defined below) and other confidential information, architectural designs, trade dress, uniforms, equipment specifications, layout plans, operating systems and policies, inventory, record-keeping and marketing techniques established by Company for the applicable type and selected décor (the "System").

B. Franchisee desires to obtain a license and franchise to operate a single Restaurant (defined below) under the Marks at the Location (defined below) and in strict accordance with the System, and the standards and specifications established by Company, and Company is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

NOW, THEREFORE, with respect to the foregoing recitals, and in consideration of the mutual covenants set forth herein, and for other good a valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Certain Definitions and Applicable Information. In this Agreement, capitalized terms used herein shall have the meanings set forth herein or in Appendix 1.

ARTICLE 2
GRANT

2.1 Grant. Company hereby grants Franchisee, and Franchisee hereby accepts, the right and license during the Term, upon the terms and subject to the provisions of this Agreement, to use and display the Marks, and to use the System, for the operation of the Restaurant at the Location. Franchisee may not, except with Company's prior written consent and pursuant to a separate addendum hereto on a form specified by Company: (i) operate the Restaurant or offer or sell any products or services described under this Agreement at or from any location other than within the building comprising Franchisee's Restaurant at the Location, including, without limitation, use or operation on or off Premises of any permanent or temporary food truck, cart, catering events, kiosk, other vending device, or Internet website; or (ii) use the System or the Marks in connection with any catering or delivery services.

2.2 No Sublicensing Rights. Franchisee shall not subfranchise, subdivide, sublicense, subcontract, sublease, or enter any management agreement providing for the right to operate the Restaurant or to use the Marks or System granted pursuant to this Agreement.

2.3 Protected Territory.

2.3.1 During the Term, neither Company nor any Affiliate of Company shall open or operate any Ruby's® Brand Restaurant at a Venue, nor license others to do so, which is physically located within a two (2) mile straight line radius surrounding the Location (the "Protected Territory").

2.3.2 Except to the limited extent expressly provided in Section 2.3.1, the license granted to Franchisee under this Agreement is nonexclusive. Company expressly reserves all other rights, including the exclusive, unrestricted right, directly and indirectly, itself and through its employees, Affiliates, representatives, licensees, franchisees, assigns, agents and others:

(a) to own or operate (i) Ruby's® Brand Restaurants at any location outside the Protected Territory, (ii) Ruby's® Brand Restaurants at Non-Traditional Venues at any location within or outside the Protected Territory, and of any type or category whatsoever, regardless of proximity to the Restaurant developed pursuant hereto; and (iii) stores or restaurants operating under names not containing "Ruby's®," at any location within or outside the Protected Territory, and of any type or category whatsoever, regardless of proximity to the Restaurant developed pursuant hereto;

(b) to produce, license, distribute and market products under the Marks and under other trademarks, including pre-packaged food, snacks and beverage products; books; clothing; souvenirs and novelty items; through any outlet, including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the internet, mail order catalogs, direct mail advertising and other distribution methods, within or outside the Protected Territory, regardless of its proximity to the Restaurant operated pursuant hereto;

(c) to use the System or the Marks within and outside the Protected Territory in connection with catering and/or delivery services; including the operation of Ruby's® Diner Food Trucks in the Protected Territory at sites operated on a temporary basis, regardless of proximity to the Restaurant developed pursuant hereto.

(d) to advertise and promote the System.

2.3.3 Without limiting the generality of Section 2.3.2, Franchisee acknowledges and agrees that it is not granted any rights with respect to any customers. Accordingly, Company may, directly and indirectly, itself and through its employees, Affiliates, representatives, licensees, franchisees, successors and assigns, agents and others solicit customers wherever located, including, within the Protected Territory.

2.4 No Additional Franchises. The grant of this franchise does not grant any rights to Franchisee to obtain additional franchises from Company.

ARTICLE 3
TERM

3.1 Initial Term. Subject to earlier termination pursuant to Article 16, the "Term" of this Agreement shall begin on the Effective Date continue for a period of ten (10) years.

3.2 Renewal. Subject to the conditions contained in Section 3.4, at the expiration of the Term hereof, Franchisee shall have the right (the "Renewal Right") to enter into a new franchise agreement in the form then generally being offered to prospective Ruby's® franchisees operating in the state in which the Restaurant is located (but if no such agreement is generally being offered in that state, then a form of franchise agreement selected by Company) (the "Renewal Franchise Agreement") for a 5 year period (the "First Renewal Term"), which Renewal Franchise Agreement shall likewise grant Franchisee the right to enter into one additional Renewal Franchise Agreement for a 5 year period (the "Second Renewal Term"); Franchisee shall pay a "Renewal Fee" equal to $2,500 in lieu of the Initial Fee due under the Renewal Franchise Agreement.

3.3 Form and Manner of Renewal. If Franchisee elects to exercise its Renewal Right, it shall notify Company in writing that it intends to exercise its Renewal Right ("Renewal Notice"). Company must receive the Renewal Notice on a date that is at least 6 months before, but not more than 12 months before, the expiration of the Term.

3.4 Conditions Precedent to Renewal. Franchisee's Renewal Right is conditioned upon Franchisee's fulfillment of each and all of the following conditions precedent:

3.4.1 Franchisee must be in good standing under this Agreement and all other agreements then in effect between Franchisee (and/or its Affiliates) and Company (and/or its Affiliates). Franchisee shall have complied, in all material respects, with this Agreement throughout the Term.

3.4.2 Franchisee and its Owners and Affiliates, execute and deliver to Company a general release, on a form prescribed by Company of any and all known and unknown claims against Company and its Affiliates and their officers, directors, agents, shareholders and employees.

3.4.3 Franchisee shall provide documentation satisfactory to Company that Franchisee has the right to maintain possession of the Restaurant Premises during any renewal term.

3.4.4 At Company's request, Franchisee shall, prior to the date of commencement of any renewal term, undertake and complete at its expense the remodeling, renovation or modernization of the Premises and the Restaurant to comply with the Company's then-current specifications and standards for new Ruby's® Brand Restaurants.

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

ARTICLE 4
PAYMENTS

4.1 Initial Franchise Fees. Upon execution of this Agreement, Franchisee shall pay to Company the Initial Fee identified in Exhibit A, which amount shall be payable in good funds and shall be deemed fully earned by Company upon the execution of this Agreement by Company and Franchisee, and shall be non-refundable, in whole or in part, under any circumstances. However, if Franchisee is a party to a multi-unit development agreement with Company, then Franchisee will, if applicable, receive a credit against the Initial Fee in accordance with that multi-unit development agreement.

4.2 Continuing Royalty. Beginning on the Required Opening Date, Franchisee shall pay to Company in good funds on the Wednesday immediately following the end of each Reporting Period during the Term, a continuing royalty in an amount equal to the greater of (i) $625, and (ii) or 4% Gross Sales during the preceding Reporting Period (the "Continuing Royalty").

4.3 System Advertising Contribution. Franchisee shall pay the System Advertising Contribution in accordance with Section 9.2.

4.4 EFT.

4.4.1 Franchisee shall, in addition to those terms and conditions set forth in the Manuals, maintain a single bank account (the "Bank Account") for the payment of Continuing Royalties, System Advertising Contributions and other fees payable to Company. Franchisee shall maintain such minimum balance in such account as Company may reasonably specify from time to time. Franchisee shall not alter or close the Bank Account except upon Company's prior written approval. Franchisee, at Franchisee's sole cost and expense, shall instruct its bank to pay the amount of its Continuing Royalty, System Advertising Contribution and other fees directly to Company from Franchisee's Bank Account, by electronic funds transfer or such other automatic payment mechanism which Company may designate ("EFT") and upon the terms and conditions set forth in this Agreement and the Manuals. Franchisee shall execute or re-execute and deliver to Company such pre-authorized check forms and other instruments or drafts required by the applicable bank(s) to enable EFT from the Bank Account.

4.4.2 Franchisee agrees that Company may initiate EFT payment from the Bank Account on the Wednesday immediately following the end of each Reporting Period. Should Franchisee fail to timely submit the Sales Report, in addition to pursuing any other rights available under this Agreement, Company will initiate EFT payment from the Bank Account based on Company's good faith estimation of Franchisee's Gross Sales during such Reporting Period, subject to any applicable minimum amounts. If Franchisee later submits a Sales Report that reflects that more funds were withdrawn from the Bank Account than were due for the applicable Reporting Period, Company will credit the excess against Franchisee's future obligations to Company. No portion of the Continuing Royalties, System Advertising Contributions or other sums due to and collected by Company will be refundable under any circumstances.

4.5 Other Payments.

4.5.1 Franchisee shall, in the manner specified by Company, pay to Company, its Affiliates and designees, as applicable, promptly when due:

(a) all amounts advanced by Company, its Affiliates or designees, or which Company, its Affiliates or designees have paid, or which Company, its Affiliates or designees, have become obligated to pay on behalf of Franchisee for any reason whatsoever;

(b) the amount of all sales taxes, use taxes, personal property taxes and similar taxes, which may be imposed upon Franchisee, but required to be collected or paid by Company, its Affiliates or designees (i) on account of Franchisee's Gross Sales, or (ii) on account of fees collected by Company, its Affiliates or designees from Franchisee (but excluding Company's ordinary income taxes). Company, its Affiliates or designees, in their discretion, may collect the taxes in the same manner as the Continuing Royalty is collected and promptly pay the tax collections to the appropriate governmental authority; provided, however, that unless Company so elects, it shall be Franchisee's responsibility to pay all sales, use or other taxes imposed now or in the future by any governmental authorities on fees paid by Franchisee to Company; and

(c) all amounts due to Company, its Affiliates or designees for any reason, including for the purchase of goods, supplies or services relating to the Restaurant.

4.5.2 Unless otherwise specified in this Agreement or otherwise in writing by Company, all payments due to Company or its Affiliates for goods and services are due 30 days after Franchisee's receipt of such products or services. Company and its Affiliates reserve the right to require or impose other credit terms, including payment by Franchisee for goods or services on a cash on delivery basis, by electronic funds transfer (including debit initiated by Company or its Affiliates).

4.5.3 Franchisee shall remain current and fully comply and perform each of its obligations to its landlord, vendors and Suppliers.

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

4.7 Interest and Charges for Late Payments.

4.7.1 If Franchisee shall fail to pay to Company the entire amount of the Continuing Royalty, System Advertising Contribution or any other sums owed to Company, promptly when due, Franchisee shall pay to Company, in addition to all other amounts which are due but unpaid, a late fee of the greater of $100 or 5% of the amount due plus interest on the unpaid amounts, from the due date thereof, at the lesser of 10% per annum or the highest rate allowable under applicable law. Entitlement to such interest and late fee shall be in addition to any other remedies Company may have.

4.7.2 If any check, draft, electronic payment or otherwise, is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Company's expenses arising from such non-payment, including bank fees, hourly staff charges arising from such default, and any other related expenses incurred by Company. In addition, following the dishonor of any check, draft, electronic payment or otherwise given to Company by Franchisee, Company shall have the right to require all payments from Franchisee due hereunder to be made by cashier's check or money order.

ARTICLE 5
CONSTRUCTION AND COMMENCEMENT OF BUSINESS

5.1 Location.

5.1.1 The Restaurant shall be located at the Location set forth in Exhibit A. If no Location has been inserted in the blank space provided in Exhibit A on the Effective Date, Franchisee shall promptly, but not later than 90 days following the Effective Date, locate a site which meets Company's then-current standards and specifications. Franchisee is solely responsible for securing a site for the Restaurant. Company will provide Franchisee with reasonable assistance in connection with the selection and evaluation of proposed Restaurant sites. Company recommends that Franchisee use a site location specialist to help Franchisee find potential sites for the Restaurant, and Company reserves the right to require that Franchisee use an approved site location specialist or that Franchisee obtain Company's written acceptance of the site location specialist Franchisee uses. Franchisee must submit to Company a complete site evaluation form (containing any information that Company may require) for the proposed Restaurant location. Company will notify Franchisee in writing within thirty (30) days after Company receives Franchisee's complete site evaluation form and other materials Company requests whether Company accepts or rejects the proposed Restaurant location. In the event that Franchisee enters into any type of lease or purchase agreement for the Restaurant premises, Franchisee must provide the lease or purchase agreement to Company and receive Company's prior written acceptance of the lease or purchase agreement before Franchisee executes it. Company has no responsibility for the lease or purchase agreement, and it is Franchisee's sole responsibility to evaluate, negotiate and enter into the lease or purchase agreement for the Restaurant premises. Franchisee must secure and sign a lease or purchase agreement for a Restaurant site Company has approved in writing within ninety (90) days after the Effective Date. Franchisee's lease must contain the "Restaurant Lease Addendum" attached as Exhibit B. Franchisee must provide Company a copy of the lease and Restaurant Lease Addendum within five (5) days of their execution. Company's identification of a site, review of a site or site lease, acceptance or approval of a site does not constitute a guarantee, recommendation or assurance as to the suitability of the site for a Ruby's® Diner restaurant, or the success of the site or the Restaurant.

5.2 Construction and Renovation.

5.2.1 Franchisee shall at its sole cost and expense promptly cause the Restaurant and Location to be diligently constructed, equipped and improved in accordance with Company's standards and specifications and in accordance with the Accepted Plans (as defined below). Franchisee shall employ experienced and competent architects, engineers and general contractors of its own selection (but each approved in writing by Company prior to their engagement), and at its sole cost and expense, to prepare such architectural, engineering, and construction drawings and site plans, and/or to modify the standard architectural, engineering and construction drawings and site plans, if any, which may be provided by Company, and to obtain all permits required to construct, remodel, renovate, and/or equip the Restaurant and Location. All such drawings, plans and specifications, and all modifications and revisions thereto, shall be submitted to Company in writing for its review and acceptance prior to commencement of demolition, construction and/or renovation of the Franchisee's Restaurant in accordance with the applicable type and Selected Décor (the "Accepted Plans").

5.2.2 Except to the extent otherwise agreed to by Company, all fixtures, furnishings, equipment and signs shall be purchased by Franchisee only from Suppliers (defined below) accepted by Company. Franchisee shall obtain all permits, including zoning classifications, variances, consents, clearances and occupancy permits when and as may be required by applicable laws or which may be necessary as a result of any restrictive covenants relating to the Location. Upon request, Franchisee shall provide to Company copies of Franchisee's permits, zoning classifications and clearances.

5.2.3 When completed, the Restaurant and Location shall in all respects strictly comply with the Accepted Plans. Franchisee shall cause each architect, engineer, designer, or other person creating plans for the Restaurant to assign, without further consideration, the copyright in such plans to the Company and to thereafter execute, from time to time, any and all other documents necessary or appropriate to confirm title to such copyright in Company's name.

5.2.4 During construction, Franchisee shall provide Company with such periodic reports regarding the progress of the construction as may be requested by Company.

(a) In addition, Company may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. If Franchisee requests, or Company deems it necessary, that more than one on-site inspection be made, Franchisee shall pay all Travel Expenses incurred by Company in connection with such additional visits. If during such inspections Company identifies instances where Franchisee's construction or remodeling is inconsistent with, or does not meet, Company's standards, Company shall notify Franchisee in writing of such deficiencies, and Franchisee shall promptly correct such deficiencies.

(b) Prior to the start of construction, Franchisee must provide Company with a proposed detailed construction schedule. Franchisee shall notify Company of the scheduled date on which all construction or remodeling shall have been completed in accordance with Company's specifications and all permits necessary to open to the public shall have been obtained and Franchisee has fully prepared the Restaurant for turn-over to pre-opening training in accordance with Company's policies and specifications (the "Completion Date") no later than 30 days prior to the Completion Date. If during such 30 day period the Completion Date shall change, Franchisee shall promptly notify Company of said change, and if the actual Completion Date is delayed or accelerated by more than 2 days from the date specified in Franchisee's notice, Franchisee shall reimburse Company for all of its additional Travel Expenses and other costs and expenses resulting from changing the travel arrangements of Company Opening Team scheduled to provide training, inspect and assist in opening the completed Restaurant ("Rescheduling Expenses").

(c) Within a reasonable time after the date of the actual completion of construction, Company may, at its option, conduct an inspection of the completed Restaurant. If Company shall conduct such inspection, Company shall notify Franchisee in writing (the "Punch List") of those items of such construction which are inconsistent with, or do not meet, Company's standards. Franchisee shall promptly correct such deficiencies.

5.2.5 Franchisee acknowledges and agrees that Franchisee will not open the Restaurant for business without the written authorization of Company and that authorization to open shall be conditioned upon Franchisee's strict compliance with the Manuals and this Agreement.

5.2.6 Franchisee shall complete construction or renovation, as the case may be, of the Location and Restaurant, shall install all Restaurant Improvements therein, and commence operation of the Restaurant as soon as possible, but in any event on or before the Required Opening Date. At all times prior to Franchisee commencing the operation of the Restaurant, Company shall have the right, and Franchisee shall provide access to Company, to inspect and examine the Premises, Location, Restaurant and all Restaurant improvements, for the purpose of ensuring compliance with Company's standards and specifications.

5.2.7 In the event of the occurrence of an event which Franchisee claims to constitute Force Majeure, Franchisee shall provide written notice to Company in writing within 5 days following commencement of the alleged Force Majeure which notice shall include the words "Force Majeure" and explicitly describe the specific nature and extent of the Force Majeure, and how it has impacted Franchisee's performance hereunder. Franchisee shall provide Company with continuous updates as required by Company on Franchisee's progress and diligence in responding to and overcoming the Force Majeure, and shall notify Company immediately upon cessation of such Force Majeure, and provide all other information as may be requested by Company. If Franchisee shall fail to notify Company of any alleged Force Majeure within said 5 days, or shall fail to provide any such updates during the continuance of the alleged Force Majeure, Franchisee shall be deemed to have waived the right to claim such Force Majeure.

5.3 Maintaining and Remodeling of the Restaurant.

5.3.1 Franchisee at all times during the Term shall maintain the condition and appearance of the Restaurant in accordance with the Manuals and consistent with the image of an attractive, clean, and efficiently operated, Ruby's® Brand Restaurant, offering high quality food products and beverages, efficient and courteous service, and pleasant ambiance. If at any time in the Company's reasonable judgment, the general state of repair, appearance or cleanliness of the Location (including the Restaurant and the non-Restaurant portion of Franchisee's Location and Premises, and parking areas) or the Restaurant fixtures, furnishings, equipment or signage, do not meet the Company's standards therefor, Franchisee shall immediately upon receipt of notice from Company specifying the action to be taken by Franchisee to correct such deficiency, repair and refurbish the Restaurant, the Location and the Premises, as applicable, and make such modifications and additions to its layout, decor and general theme, as may be required from time to time to maintain such condition, appearance, efficient operation, ambiance and overall image, including without limitation, replacement of worn out or obsolete Restaurant Improvements, repair and/or replace wall-coverings, and repair and paint the interior and exterior of the Restaurant, and appurtenant parking areas (if any), and periodic cleaning and redecorating. Franchisee shall fully implement and complete such repairs or within 90 days after receipt of written notice from Company. Such maintenance or repairs shall not be deemed to constitute remodeling, as set forth below.

5.3.2 Company may require Franchisee at Franchisee's sole cost and expense to refurbish, remodel and improve the Restaurant to conform the Franchisee's building design, trade dress, color schemes, and presentation of Marks to the Company's then-current public image. Such remodeling may include extensive structural changes to the Restaurant and replacement or modification of Restaurant Improvements as well as such other changes as the Company may direct, and Franchisee shall complete any such remodeling within 90 days of commencing same. Company has the right to require Franchisee to take such action: (1) five (5) years after the Effective Date; (2) as a condition to the transfer of any interest as further described in Article 15; (3) as a condition of renewal; and (4) otherwise during the Term as further described in the Manuals.

5.3.3 Franchisee will not relocate the Restaurant from the Location without Company's prior written consent. If Franchisee relocates the Restaurant under this Section, the "new" franchised location of the Restaurant to which Company consents, including the real estate and building, must comply with all applicable provisions of this Agreement and with Company's then-current specifications and standards for Ruby's® Diner restaurants. In addition, Franchisee must reimburse Company's expenses incurred in connection with any relocation of the Restaurant, including Company's time. If the Restaurant is damaged or destroyed by fire or any other casualty, Franchisee, within 30 days thereof, shall initiate such repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion, which shall not be more than 120 days after such fire or other casualty) such repairs or reconstruction, in order to restore the Premises to its original condition prior to such casualty. Company may require Franchisee, by giving written notice thereof, to repair or reconstruct the Premises and Restaurant in conformance with Company's standards and specifications for Ruby's® Brand Restaurants.

ARTICLE 6
TRAINING

6.1 Initial Training Program.

6.1.1 Company shall provide an initial management training program regarding the Company's System and methods of operation concurrently to up to 5 persons. Such persons shall be selected by Franchisee and must, unless Company otherwise agrees, include the Operating Principal, Multi-Unit Manager, if any, General Manager, and at least two additional Managers. The initial training program shall consist of 6 to 8 weeks of training, as Company in its reasonable judgment may determine, at one or more of the following locations, as selected by Company: (i) Company's corporate headquarters in California, (ii) at a Company-owned or franchised Ruby's® Diner restaurant, (iii) at Franchisee's Location, if accepted by Company for that purpose, or (iv) at such place or places as may be designated by Company. Company shall provide the initial training at no additional charge, however, Franchisee must reimburse Company for its direct and indirect costs and expenses for lodging, subsistence and travel of its personnel in connection with the initial opening of the Restaurant. Otherwise, Franchisee shall pay Company's then-current standard training fee for initial training provided to Franchisee or its employees in excess of the initial training provided concurrently to the individuals referred to above. Franchisee shall pay all Travel Expenses and other expenses, if any, incurred by Franchisee and/or Franchisee's employees in connection with attendance at the initial and all other training programs. Company shall pay no compensation for any services performed by trainee(s) in connection with such training programs. Company shall not be obligated to provide the training provided in this Section if Company, in good faith, determines that the individuals to receive such training have been adequately trained as a result of prior involvement with a Ruby's® Brand Restaurant.

6.1.2 Franchisee may not open its Restaurant until (i) its personnel identified above in Section 6.1.1 have (x) successfully completed Company's initial training program referred to above; and (y) successfully completed the Third Party Food Safety Program(s) and have obtained all certifications issued by such Third Party Food Safety Program(s); and (ii) Franchisee's management team have satisfied Company's standards and has been accepted by Company.

6.1.3 The contents of the initial training program and manner of conducting such program shall be at Company's sole discretion and control, however, the training course will be structured to provide practical training in the implementation and operation of a Ruby's® Brand Restaurant, and may include such topics as on-site drink and food preparation, training, use of point of sale cash register and/or computer systems, inventory, cash handling, Company's standards, marketing techniques, reports, equipment maintenance, safety and security, customer service techniques and financial controls.

6.2 Training of New Hires and Replacements.

6.2.1 Franchisee shall, at all times, employ an Operating Principal, Multi-Unit Manager, if applicable, General Manager and two or more Managers acceptable to Company each of whom shall have: (i) successfully attended and completed Company's required training program(s), including Company's required applicable initial program described in Section 6.1; provided, however, if Franchisee has employed a Certified Management Trainer (defined below), Franchisee's Managers may be trained by such Certified Management Trainer at a Certified Training Facility in lieu of attending Company's initial training program as required pursuant to this Section and the Manuals; (ii) successfully completed the Third Party Food Safety Program(s) and have obtained (and have thereafter at all times maintained) all certifications issued by such Third Party Food Safety Program(s); and (iii) successfully completed all other training and obtained all certifications as required under applicable law. At all times while the Restaurant is open to the public a Manager (or other designated supervisory person as defined in the Manuals or otherwise by Company in writing) who has successfully completed the Third Party Food Safety Program(s) and holds a valid certification from such Third Party Food Safety Program(s) and has been successfully trained by Company, or by the Certified Management Trainer at a Certified Training Facility, shall be working at the Restaurant. Company may, at Franchisee's request, and subject to Company's scheduling requirements and then-current training charge for same, train Franchisee or an employee of Franchisee approved in writing by Company to become a "Certified Management Trainer" who may thereafter train Franchisee's Managers in accordance with this Section 6.2.1. Such Certified Management Trainer may only conduct such training at a "Certified Training Facility" owned by Franchisee or other franchise location certified for that purpose and accepted by Company, which Company has certified as meeting Company's then-current standards in effect from time to time for Ruby's® training facilities, including having received satisfactory Unit Evaluation scores. Company may, at Franchisee's request, and subject to Company's scheduling requirements, conduct such procedures as it determines necessary to approve (or re-certify) the Franchisee's Restaurant, or another Ruby's® Brand Restaurant owned by Franchisee or an Affiliate of Franchisee, as a "Certified Training Facility." In addition to paying Company's then-current charge for training and certification of the Certified Management Trainer, Franchisee shall pay all Travel Expenses and similar costs incurred in connection with attendance at the certification training by the Certified Management Trainer. Company shall pay no compensation for any services performed by trainee(s) in connection with such training program.

6.2.2 Franchisee will hire all employees of the Restaurant, be exclusively responsible for the terms of their employment and compensation, and implement a training program for Restaurant employees in compliance with Company's requirements. Franchisee will maintain at all times a staff of trained employees sufficient to operate the Restaurant in compliance with Company's standards.

6.2.3 Company may periodically offer optional or mandatory ongoing training to Franchisee and certain of its employees. Company may require Franchisee's Operating Principal, Multi-Unit Manager, General Manager or other Managers to attend, at Franchisee's expense, any mandatory ongoing training. Company has the right to determine when and where ongoing training takes place, the duration of the training and the cost of the training. If Company agrees to provide such ongoing training at the Restaurant, Franchisee must reimburse Company's related Travel Expenses.

6.3 Opening Team and Other Assistance.

6.3.1 Immediately prior to and subsequent to the opening of the Restaurant, Company will furnish an opening training team consisting of a number of individuals determined by Company (the "Company Opening Team"), for a period of not less than 7 days at the Restaurant. The Company Opening Team will provide Franchisee with certain pre-opening and post-opening training at the Location. If this Agreement pertains to the second of subsequent Ruby's® Brand Restaurants operated by Franchisee or an Affiliate of Franchisee, then Franchisee shall provide a number of employees, as specified by Company, from an existing Ruby's® Brand Restaurant operated by Franchisee (the "Franchisee Opening Team").

6.3.2 Franchisee shall be responsible for all travel, food and lodging arrangements and related Travel Expenses for the Company Opening Team. Franchisee shall also be responsible for all travel, food and lodging arrangements and related Travel Expenses for the Franchisee Opening Team. If Franchisee fails or is unable to timely provide the entire applicable Franchisee Opening Team, Company may, but shall not be obligated to, supplement Franchisee's Opening Team with Company's employees; provided, however, that upon demand Franchisee shall reimburse or advance to Company the cost of Travel Expenses of Company's employees who are provided as a result of Franchisee's failure or inability to timely provide the entire Franchisee Opening Team.

6.3.3 Throughout the Term, Franchisee shall have the right, at no additional charge, to inquire of Company's home office staff, its field representatives and training staff with respect to the operation of the Restaurant, by telephone or correspondence, and Company shall use its commercially reasonable efforts to diligently respond to such inquiries, in order to assist Franchisee in the operation of the Restaurant. At no time shall Company's "commercially reasonable efforts" be interpreted to require Company to pay any money to Franchisee.

6.3.4 Company may, at its option, periodically visit Franchisee's Restaurant for the purpose of rendering advice and consultation or training, with respect to the Restaurant, its operation and performance, and compliance by Franchisee with the Manuals. If provided at the Franchisee's request or if Company determines that the Restaurant is not being operating in accordance with the standards set forth in the Manuals and this Agreement, the Company may require the Franchisee to pay such training charges as may be then in effect, and to reimburse Company for all Travel Expenses and similar costs incurred by Company and its personnel in connection with such training.

6.3.5 In the event of any sale transfer, or Assignment, the transferee/assignee (and its Operating Principal, Multi-Unit Manager, if any, and General Manager) must be trained by Company as a condition of Company's consent to such transfer. All transfer fees and tuition costs for such training shall be paid to Company in advance of the attendance by such transferee and its employees. The Restaurant shall not be opened or re-opened until Company certifies that the transferee is approved to operate the Restaurant.

6.4 Additional Training.

6.4.1 Company may, from time to time, at its discretion, (i) require Franchisee, its Operating Principal, Multi-Unit Manager, if any, and Managers, or any of them, to attend additional training courses or programs ("Additional Training") during the Term, or (ii) make available to Franchisee or its Operating Principal, Multi-Unit Manager, if any, and Managers, or any of them, optional Additional Training during the Term. The Additional Training may be held on a national, regional or individual location basis at locations selected by Company to instruct Franchisee with regard to new procedures or programs which Company deems, in its reasonable judgment, to be of material importance to the operation of the Restaurant by its franchisees. The time and place of the Additional Training courses shall be at Company's sole discretion. Company may establish charges applicable to all franchisees similarly situated for the Additional Training. In addition to any charge Company may establish, Franchisee shall pay all Travel Expenses incurred in connection with attendance at such courses.

6.5 Mandatory Convention Attendance; Fees. Franchisee must attend all mandatory meetings designated by Company including the annual convention, unless otherwise excused in writing by Company. The Operating Principal must attend on behalf of Franchisee. Company may charge an attendance fee per person for each mandatory meeting. Franchisee will bear all Travel Expenses and other costs of attendance.

ARTICLE 7
OBLIGATIONS OF COMPANY

7.1 General. Company shall perform the following obligations, if and to the extent applicable to Franchisee:

7.1.1 To review and accept or reject the Franchisee's proposed Location;

7.1.2 To supply to Franchisee a set of standard décor, equipment and layout specifications and to thereafter approve the initial decor and layout of Franchisee's Restaurant as described in Section 5.4;

7.1.3 Provide Franchisee access to the Manuals. The Manuals are confidential and remain Company's property. In the event the Manuals are lost or misplaced by Franchisee, Company may charge Franchisee and Franchisee shall pay a replacement fee in an amount not less than $5,000.

7.1.4 To provide the training and assistance described in Article 6.

7.1.5 To manage, administer, direct and operate in good faith the advertising program described in Section 9.3.

7.2 Company Default. Company shall not, and cannot be held in breach of this Agreement until (i) Company has received written notice from Franchisee describing in detail any alleged breach from Franchisee; and (ii) Company has failed to remedy the breach within a reasonable period of time after such notice, which period shall not be less than 60 days plus such additional time as reasonably required by Company if because of the nature of the alleged breach it cannot reasonably be cured within 60 days, provided Company promptly commences and continues diligently to cure such alleged breach.

7.3 No Other Obligations. Company shall not be obligated to provide any services to Franchisee except expressly provided herein and any and all other services which Company may provide to Franchisee during the Term shall be at its sole discretion and Company may cease to provide the same without notice of further obligation to Franchisee.

ARTICLE 8
MANUALS AND STANDARDS OF FRANCHISEE QUALITY, CLEANLINESS AND SERVICE

In order to promote the value and goodwill of the Marks and the System and to protect the Marks and the other franchisees of the Company who comprise the Ruby's® franchise system, Franchisee shall conduct its business in accordance with the standards promulgated by Company as follows:

8.1 Product Line and Service. Franchisee shall serve all and only Authorized Products at or from the Restaurant. Franchisee acknowledges that Authorized Products may differ between and among Ruby's® Brand Restaurants, and may vary depending on the operating season and geographic location of the Restaurant and other factors. Franchisee shall, upon receipt of notice from Company, add any Authorized Products to its menu according to the instructions and within the time specified in the notice. Franchisee shall cease selling any previously approved or discontinued product within 30 days after receipt of notice that the product is no longer approved.

8.1.1 All beef, chicken, vegetables, and other food, beverage and novelty products sold by Franchisee shall be of the highest quality, and the ingredients, composition, specifications, and preparation of food products shall conform strictly with the instructions and recipes provided by Company or contained in Manuals, and with the further requirements of Company as they are communicated to Franchisee from time to time.

8.2 POS System; Computer; Intranet.

8.2.1 POS System.

(a) Franchisee shall purchase, use and maintain the computerized point of sale cash collection system (including all related hardware and software) as specified in the Manuals or otherwise by Company in writing for use in connection with the Restaurant (the "POS System"). The POS System may include computers, terminals and related components. Franchisee will have at the Restaurant Internet access with a form of high-speed connection as Company requires or otherwise approves in writing. Company may require Franchisee to update, upgrade or replace the POS System, including hardware and/or software, from time to time upon written notice, provided that Franchisee shall not be required to replace the POS System any more frequently than once every three years.

(b) Company may designate certain computer software ("Proprietary Software") for use in the operation of the POS System which is owned or licensed by Company. Franchisee shall at Company's request license or sublicense such software from Company or its designee and execute into a software license agreement on Company's or such designee's then-current form. Franchisee may be required to pay Company or its designated Supplier a fee for software access, ongoing support or updates to the POS System. From time to time, Franchisee shall purchase any upgrades, enhancements or replacements to the Proprietary Software. Franchisee must incorporate any required modifications or additions within 30 days after receiving written notice from Company, unless a longer time period is stated in the notice.

(c) Company may also designate certain third-party data storage, analysis and transmission vendors. If Company shall establish and maintain a monitoring program in a majority of Ruby's® Brand Restaurants in the United States of America, Franchisee shall obtain all software and hardware, including digital still and video cameras, as Company may specify to enable Franchisee to send and receive e-mail and digital photos and streaming video or other multimedia signals and information to and from the Location, and Franchisee shall, from time to time, upon Company's request transmit digital photos, video and audio signals of the Location to, and in the form and manner prescribed by, Company.

8.2.2 Intranet.

(a) Franchisee must connect the POS System to Company's Intranet. Franchisee shall participate and use the Intranet in accordance with Company's requirements as set forth in the Manuals. Franchisee will pay, or at Company's election reimburse the Company, for the cost to access, use, improve and maintain the Intranet, including third party fees for the Intranet. Company will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Franchisee.

(b) If Franchisee shall breach this Agreement or any other agreement with Company or its Affiliates, Company may, in addition to, and without limiting any other rights and remedies available to Company, disable or terminate Franchisee's access to the Intranet without Company having any liability to Franchisee.

8.2.3 Access; Third Party Service Providers. Franchisee shall permit Company or Company's designee to access the POS System and the information and files stored therein from time to time via any means required by Company, including electronic polling communications. Company may, from time to time, through itself or a designated third-party provider, poll and interface with the POS System and retrieve and store information contained therein. Franchisee may be required to use the services of any third-party data management, storage, communications media and/or application service provider designated by Company. Franchisee must pay any such vendor for such services received. The aggregate cost of such services shall not exceed $7,000 per year, except that such $7,000 amount may be increased each calendar year by a percentage equal to the percentage increase in the Index since the last such adjustment made by Company.

8.2.4 Data Protection. Franchisee shall apply for and maintain systems for use of debit cards, affinity card, credit cards, loyalty and gift cards and other non-cash payment methods designated from time to time by Company. Franchisee shall adhere to all Payment Card Industry (PCI), Cardholder Information Security Program (CISP) and Site Data Protection (SDP) compliance specifications, as amended from time to time. Franchisee is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and Franchisee waives any and all claims Franchisee may have against Company as the direct or indirect result of such disruptions, failures or attacks. Franchisee must notify Company immediately of any suspected data breach at or in connection with the Restaurant.

8.3 Manuals. Franchisee shall operate the Restaurant in strict compliance with the standard procedures, policies, rules and regulations established by Company and incorporated in the Manuals. The Manuals will contain mandatory and suggested specifications, standards and operating procedures that Company develops for Ruby's® Diner restaurants and information relating to Franchisee's other obligations. Any required specifications, standards and operating procedures exist to protect Company's interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee. Company may add to, and otherwise modify, the the Manuals to reflect changes in Authorized Products, and specifications, standards and operating procedures of a Ruby's® Diner restaurant. The master copy of the Manuals that Company maintains electronically or at its principal office and make available to Franchisee will control if there is a dispute involving the contents of the Manuals.

8.4 Hours. Subject to applicable law, Company and Franchisee agree that the Restaurant shall be open and operational during at least the minimum hours and days set forth in the Manuals.

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

8.6 Signs, Designs and Forms of Publicity. Franchisee shall maintain suitable signs and/or awnings on or near the front of the Location and Premises, identifying the Location as a Ruby's® Diner Restaurant, which shall conform in all respects to Company's specifications and requirements and the layout and design plan approved for the Location, subject only to restrictions imposed by applicable law.

8.7 Uniforms and Employee Appearance. Franchisee shall cause all employees, while working in the Restaurant, to: (i) wear uniforms of such color, design, and other specifications as Company may designate from time to time, and (ii) present a neat and clean appearance.

8.8 Vending or Other Machines. Except with Company's prior written approval, Franchisee shall not cause or allow vending, gaming machines, automatic teller machines, Internet kiosks or any other mechanical or electronic device to be installed or maintained at the Location.

8.9 Operating Principal, Multi-Unit Manager; General Manager and Managers.

8.9.1 Upon the execution of this Agreement, Franchisee shall designate and retain an individual to serve as the Operating Principal.

(a) The Operating Principal shall, during the entire period he serves as such, meet the following qualifications: (a) devote substantial full time and best efforts to the supervision and conduct of the Restaurant; and (b) meet Company's educational, experience, financial and such other reasonable criteria for such individual, as set forth in the Manuals or otherwise in writing by Company.

(b) If, during the Term, the Operating Principal or any designee is not able to continue to serve in the capacity of Operating Principal or no longer qualifies to act as the Operating Principal, Franchisee shall promptly notify Company and designate a replacement within 30 days after the Operating Principal or such designee ceases to serve or be so qualified, such replacement being subject to the same qualifications and restrictions listed above. Franchisee shall provide for interim management of Franchisee's business in accordance with this Agreement until such replacement is so designated.

(c) The Operating Principal (or a substitute attendee approved by Company) shall attend all Ruby's® franchisee conventions or meetings periodically designated or held by Company which may be held annually or more frequently on a regional basis. Franchisee shall be responsible for all expenses of its Operating Principal (or substitute attendee), including Travel Expenses, and shall pay a reasonable registration fee as determined by Company.

8.9.2 Each General Manager and Manager shall, during the entire period he/she serves as General Manager or Manager, as applicable, meet the following qualifications: (a) satisfy Company's educational and business experience criteria as set forth in the Manuals or otherwise in writing by Company; (b) devote full time and best efforts to the supervision and management of the Restaurant; and (c) be an individual acceptable to Company. If, during the Term, the General Manager or any Manager, as applicable, is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, Franchisee shall promptly notify Company and designate a replacement as soon as practicable, but not more than 30 days after the General Manager or any Manager, as applicable, ceases to serve, such replacement being subject to the same qualifications listed above. Franchisee shall provide for interim management of the Restaurant until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Agreement.

8.9.3 If Franchisee together with its Affiliates operates more than one Ruby's® Brand Restaurant, then at all times throughout the Term, Franchisee together with its Affiliates shall employ and retain an individual (the "Multi-Unit Manager"), approved by Company, who shall be vested with the authority and responsibility for the day-to-day operations of all Ruby's® Brand Restaurants owned by Franchisee and such Affiliates of Franchisee. Franchisee shall notify Company in writing at least 30 days prior to employing the Multi-Unit Manager setting forth in reasonable detail all information reasonably requested by Company. The Multi-Unit Manager shall, during the entire period he serves as such, meet the following qualifications: (a) shall devote full time and best efforts solely to operation of all of the Ruby's® Brand Restaurants owned by Franchisee and to no other business activities; (b) meet Company's educational, experience, financial and such other reasonable criteria for such individual, as set forth in the Manuals as defined herein or otherwise in writing by Company; and (c) be an individual acceptable to

Company. The Multi-Unit Manager, must be an Owner, and with the prior written consent of Company, may be the same individual as the Operating Principal. The Multi-Unit Manager shall be responsible for all actions necessary to ensure that all Ruby's® Brand Restaurants owned by Franchisee are operated in compliance with all corresponding franchise agreements therefor and the Manuals. If, during the Term, the Multi- Unit Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section (including Company's subsequent disapproval of such person), Franchisee shall promptly notify Company and designate a replacement as soon as practicable, but not more than 30 days after the Multi-Unit Manager ceases to serve, such replacement being subject to Company's approval.

8.10 Ruby® Card Program. Company may establish a Ruby® "Card Program" (also known as a "VIP Card" Program) which entitles Company, its Affiliates and franchisees and certain of their key employees to dine at no cost (except gratuity) at any Ruby's® Brand Restaurant owned and operated by Company, its Affiliates, or franchisees. Cards issued under the Card Program may not be accepted at certain licensed and franchised Ruby's® Brand Restaurants whose franchise agreements do not require their participation. Franchisee shall participate in the Card Program and shall accept cards tendered by individuals validly holding such cards. Company has the right to: (i) establish, from time to time, reasonable procedures, requirements and limitations for the Card Program and the participants therein; (ii) suspend and thereafter reinstate the Card Program at any time; and (iii) establish, from time to time, maximum monthly amounts which may be used by individual participants.

ARTICLE 9
ADVERTISING AND CO-OPS

9.1 General Advertising Standards. Franchisee shall conduct all local advertising and promotion in accordance with such policies and provisions as are contained in the Manuals, or as otherwise directed by Company. Franchisee shall not use or publish any advertising material which does not conform to said policies and provisions and as to which Franchisee shall not have received Company's prior written approval (subject to Company's right to subsequently withdraw its approval). If Company has not notified Franchisee of its approval of any proposed advertisement submitted by Franchisee for approval within 10 business days after Company's receipt thereof, such advertisement shall be deemed disapproved. Franchisee may not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including any Internet home page, website, bulletin board, newsgroup or other Internet- related medium) which in any way uses or displays the Marks, in whole or part, and Franchisee shall not cause any of the Marks to be used or displayed, as an Internet domain name, or on or in connection with any Internet home page, website, bulletin board, newsgroup or other Internet- related activity without Company's express prior written consent, and then only in such manner and in accordance with such procedures and policies as are contained in the Manuals, or as otherwise directed by Company.

9.2 Advertising Expenditures. Franchisee shall make the following expenditures for advertising:

(a) On the Wednesday immediately following the end of each Reporting Period, Franchisee shall pay to Company or its designee a "System Advertising Contribution" equal to 1% of Franchisee's Gross Sales during such Reporting Period for placement in a marketing and promotional fund (the "National Brand Fund").

(b) On the Wednesday following the end of each Reporting Period, Franchisee shall pay to the applicable Regional Advertising Group in which Franchisee is a member, if any, an amount equal to 1% of Franchisee's Gross Sales during such Reporting Period (the "Regional Marketing Contribution").

(c) Franchisee shall spend during each calendar quarter on local advertising in accordance with Section 9.5 an amount equal to 1% of Franchisee's Gross Sales during the preceding calendar quarter (the "Local Advertising Expenditure"); provided however that: (i) Regional Marketing Contributions by Franchisee will count in satisfaction of Franchisee's obligation under this section; and (ii) the required Local Advertising Expenditure does not include the cost of Franchisee listing its restaurant in the white pages or yellow pages of such telephone directories distributed in Franchisee's area as Company authorizes or directs, and it shall not include mall merchant association fees other payments to Franchisee's lessor for advertising or the like in excess of $6,000 annually, except with Company's prior written consent.

Although this Agreement does not require Franchisee to expend 2% of Franchisee's Gross Sales on local advertising, Company encourages and strongly recommends that Franchisee expend such amount on local advertising.

9.2.1 Company reserves the right, from time to time, to increase or decrease the System Advertising Contribution, Regional Marketing Contribution and the required Local Advertising Expenditure upon written notice to Franchisee, provided that the combined amount of the System Advertising Contribution, Regional Marketing Contribution and required Local Advertising Expenditure Company requires Franchisee to spend will not exceed 3% of Gross Sales. Company has the right to determine the allocation of each category of marketing and advertising expenses.

9.3 System Advertising Program.

9.3.1 Company shall cause the System Advertising Contributions to be administered and spent in accordance with this Section 9.3. Company may in whole or in part assign and/or delegate responsibility to operate, maintain and administer the System Advertising Contributions and may transfer the System Advertising Contributions to RDI, another Affiliate of Company, or a separate business entity established for such purposes. The System Advertising Contributions may be deposited into a separate account, or administratively segregated on the books and records of the holder thereof. Nothing in this Agreement shall be deemed to create a trust fund, a fiduciary relationship or similar relationship, and the holder thereof may commingle System Advertising Contributions with its general operating funds.

9.3.2 Ruby's® Diner restaurants owned by Company or Company's Affiliates will contribute to the National Brand Fund on the same basis as franchisees.

9.3.3 If less than all System Advertising Contributions are spent during any fiscal year, the difference may be accumulated for use during subsequent years. If Company or any of Company's Affiliates advance or spend funds in excess of the System Advertising Contributions, such excess shall be treated as a loan, and Company or the applicable Affiliate will be entitled to be repaid such amount, plus interest at the rate equal to the Company's or Affiliate's cost of funds. The determination of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

9.3.4 System Advertising Contributions may be spent for national, regional, system-wide or local advertising, public relations or promotional purposes designed to promote and enhance the image, identity or patronage of licensed, franchised, Company-owned, and Company Affiliate-owned Ruby's® Brand Restaurants. Expenditures may include, without limitation (a) expenditures to conduct marketing studies, and to produce and purchase advertising art, commercials, musical jingles, internet websites, intranet or extranet, print advertisements, point of sale materials, media advertising, outdoor advertising art, email or other electronic or other web-based marketing programs, and direct mail pamphlets and literature; (b) expenditures to retain an advertising or public relations agency; and (c) costs and expense (including attorneys' fees) to collect unpaid or delinquent System Advertising Contributions of other franchisees. A portion of System Advertising Contributions, in an amount equal to 0.5% of the Gross Sales of all Ruby's® Brand Restaurant franchisees that are required to pay System Advertising Contributions, may be paid to Company or RDI (or to another Affiliate or business entity to whom Company may assign or delegate responsibilities) for its (or their) costs and expenses to operate a marketing department and to manage, administer, and direct the tasks permitted under this Section, including an allocable portion of rent, salaries, and general office overhead. Company shall determine the cost, media, content, format, style, timing, allocation and all other matters relating to such advertising, public relations and promotional campaigns. Although the Company will attempt to allocate advertising expenditures fairly and in good faith, Company is not required to spend System Advertising Contributions so as to benefit any particular franchisee or group of franchisees on a pro-rata or proportional basis or otherwise. If Franchisee is not in default of this Agreement, Company may make copies of advertising materials available to Franchisee with or without additional reasonable charge, as determined by Company. Any additional advertising shall be at the sole cost and expense of Franchisee.

9.3.5 Upon written request, Company shall furnish to Franchisee within 120 days after the end of each calendar year, a report for the preceding year, prepared and certified correct by an officer of the Company containing the calculations of the System Advertising Contributions which were actually expended during such calendar year, the amount remaining which shall be carried over for use during the following year(s), and the amount that Company or its Affiliates must be repaid on account of previous years' loans.

9.4 Regional Advertising. Company shall have the right at any time to designate, and from time to time to redefine, a region within which the Restaurant is located, which shall function for the purpose of creating a method (a "Regional Advertising Group") to coordinate advertising, marketing efforts and programs and maximizing the efficient use of local and/or regional advertising media. The Regional Advertising Group may be defined by Designated Market Area(s) established periodically by Nielson Media Research, Area(s) of Dominant Influence established periodically by Arbitron, a standard metropolitan statistical area or such other geographic area region established by Company from time to time to identify the market area in which the Restaurant is located. Company will have the right to exempt certain franchisees from participating in a Regional Advertising Group. Company will determine the amount of the Regional Marketing Contribution applicable to each Regional Advertising Group.

9.4.1 If and when Company creates a Regional Advertising Group for the region in which the Restaurant is located, Franchisee (and, if Company or its Affiliate owns a Ruby's® Brand Restaurant in such Regional Advertising Group, Company or such Affiliate), shall become subscribers and members of the Regional Advertising Group and shall execute a written subscription agreement on a form prescribed by Company, and participate therein in accordance with the subscription agreement or other written organizational or charter documents of such Regional Advertising Group. The geographic size, charter documents, configuration and membership of such regions, when and if established by the Company, shall be binding upon Franchisee, all other Ruby's® franchisees similarly situated who are by the terms of their franchise agreements required to participate, and Company (and its Affiliates), if Company (or its Affiliates) owns and operates a Ruby's® Brand Restaurant in such Regional Advertising Group. The Company alone may from time to time amend the geographic size, charter documents, organization, configuration and membership of such Regional Advertising Group. At all meetings of such Regional Advertising Group, each participating Franchisee, as well as Company and its Affiliates, if applicable, shall be entitled to one vote for each participating Ruby's® Brand Restaurant owned and located within the region of the Regional Advertising Group.

9.4.2 Each Regional Advertising Group will, subject to Section 9.1 and the Manuals, decide as to the usage of funds paid to the Regional Advertising Group for media time, production of media materials, whether for radio, television, newspapers, public relations, or store level materials such as flyers, or posters, or for any other type of advertising or marketing use. From time to time Company may propose certain general or specific uses of the funds paid to the Regional Advertising Group, and in each instance Franchisee shall attend (by any means permitted by the Regional Advertising Group) and vote (by any means permitted by the Regional Advertising Group) at a meeting of the Regional Advertising Group wherein such proposal shall be considered.

9.5 Local Advertising. Each calendar quarter, Franchisee shall expend the Local Advertising Expenditure, if any, on local advertising of the Restaurant in accordance with the Manuals. Franchisee shall deliver evidence of such expenditures in the form and manner prescribed by Company from time to time. Until further notice from Company, Franchisee shall deliver to Company quarterly (no later than the 15th day of the months of January, April, July, and October), copies of invoices showing Franchisee's Local Advertising Expenditures during the preceding calendar quarter, and submit itemized expenditure reports in the form prescribed by Company from time to time. If the invoices submitted do not demonstrate expenditure equal to the required Local Advertising Expenditure, Franchisee shall pay the difference to Company for deposit into the National Brand Fund.

9.6 Telephone Numbers and Directory Advertising. In addition to the System Advertising Contributions, Regional Marketing Contributions and Local Advertising Expenditures, Franchisee shall, at its sole expense, subscribe for and maintain throughout the Term, or such lesser period designated by Company, one or more listed telephone numbers which shall be listed in such telephone directory or directories as Company may designate or approve which service Franchisee's Location and adjacent or nearby areas. Company reserves the right to establish general standards concerning directory and other types of advertising.

9.7 Promotional Campaigns. From time to time during the term hereof, Company shall have the right to establish and conduct promotional campaigns on a national, system-wide, or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee and each Regional Advertising Group shall participate in such promotional campaigns upon such terms and conditions as the Company may establish. Franchisee acknowledges and agrees that such participation may require Franchisee and/or each Regional Advertising Group to purchase point of sale advertising material, posters, flyers, product displays and other promotional material, and to the extent permitted by applicable law may establish the maximum prices which Franchisee may impose for products offered in the promotion.

9.8 Marketing Management Meetings. Franchisee, or Franchisee's Operating Principal and Multi-Unit Manager, if any, if Franchisee is a business entity, shall be required to attend all marketing management meetings which Company designates as mandatory. Marketing management meetings may be held from time to time as determined by Company and may be held in-person, by telephone or other means of communication.

ARTICLE 10
DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS

10.1 Product Inventory. At all times throughout the Term, Franchisee shall purchase and maintain in inventory such types and quantities of Proprietary Products (defined below) and Non-Proprietary Products (defined below), as are needed to meet reasonably anticipated consumer demand for Authorized Products. All Authorized Products shall be offered and sold by Franchisee only in the ordinary course of business on a retail basis, at the Restaurant pursuant hereto, or at other Ruby's® Brand

Restaurants opened by Franchisee under the Marks and in accordance with the System pursuant to other existing franchise agreements with Company.

10.2 Proprietary Products. Company may, from time to time throughout the Term, require that Franchisee purchase, use, offer and/or promote, and maintain in stock at the Restaurant, certain proprietary Ingredients, baked goods, and other food products, beverages, condiments and other products, which are grown, produced or manufactured in accordance with Company's proprietary recipes, specifications and/or formulas, or which are sold or packaged under any of the Marks, and which Company designates as proprietary ("Proprietary Products"). Franchisee shall purchase Proprietary Products only from Company or Company's Affiliates or a distributor or supplier approved by Company ("Supplier"). Franchisee acknowledges and agrees that Company or its Affiliate may be the sole Supplier of Proprietary Products. If Franchisee shall purchase Proprietary Products from Company or its Affiliates, Franchisee shall purchase the same at Company's then-current published prices charged to similarly situated franchisees, which may be changed or modified from time to time without prior notice, and which may include a profit to the Company and such Affiliate.

10.3 Non-Proprietary Products. Company may designate certain Ingredients, baked goods and other food products, condiments, beverages, raw materials, paper goods, fixtures, furnishings, equipment, uniforms, supplies, menus, packaging, forms, POS and cash register systems, computer hardware, software, modems and peripheral equipment and other products, supplies and equipment other than Proprietary Products which Franchisee may or must use and/or offer and sell at the Restaurant ("Non-Proprietary Products"). Franchisee may, but shall not be obligated to, purchase such Non-Proprietary Products from Company or its Affiliate, if Company or such Affiliate supply such Non-Proprietary Product. Franchisee may use, offer or sell only such Non-Proprietary Products that Company has expressly authorized, or that were purchased or obtained from Company, its Affiliate, a Supplier, or a third party approved by Company pursuant to Section 10.3.2 below.

10.3.1 Franchisee may purchase authorized Non-Proprietary Products from (i) Company or its Affiliate, (ii) Suppliers designated by Company, or (iii) suppliers selected by Franchisee and approved in writing by Company prior to Franchisee making such purchase(s). Each such Supplier designated or approved by Company must comply with Company's usual and customary requirements regarding insurance, indemnification, and non-disclosure, and shall have demonstrated to the reasonable satisfaction of Company: (a) its ability to supply a Non-Proprietary Product meeting the specifications of Company, which may include, without limitation, specifications as to brand name and model, contents, quality, freshness and compliance with governmental standards and regulations; (b) its reliability with respect to delivery and the consistent quality of its products or services; and (c) its ability to price such products in a competitive manner.

10.3.2 If Franchisee should desire to procure authorized Non-Proprietary Products from a supplier other than Company or its Affiliate or one previously approved or designated by Company, Franchisee shall deliver written notice to Company of its desire to seek approval of such supplier, which notice shall (i) identify the name and address of such Supplier, (ii) contain such information as may be requested by Company, and (iii) identify the authorized Non-Proprietary Products desired to be purchased from such supplier. The Company may thereupon request that the proposed supplier deliver to Company at a designated location, and at no cost to Company, product samples, specifications and such other information as Company may require. Company or its representatives shall also be permitted to inspect the facilities of the proposed supplier.

(a) Company will use its good faith efforts to notify Franchisee of its decision within 90 days after Company's receipt of Franchisee's request for approval. Nothing in this

Article shall require Company to approve any supplier. Company may revoke its approval upon the Supplier's failure to continue to meet any of Company's criteria.

(b) As a further condition of such approval, Company may require such supplier to agree in writing: (i) to provide from time to time upon Company's request free samples of any Non-Proprietary Product it intends to supply to Franchisee, (ii) to faithfully comply with Company's specifications for applicable Non-Proprietary Products sold by it, (iii) to sell any Non-Proprietary Product bearing the Marks only to franchisees of Company and only pursuant to a trademark license agreement in form prescribed by Company (which may require payment of a royalty), (iv) to provide to Company duplicate purchase invoices for Company's records and inspection purposes and (v) to otherwise comply with Company's reasonable requests.

(c) Franchisee or the proposed supplier shall pay to Company in advance (or upon Company's request, reimburse Company for) all of Company's reasonably anticipated costs in reviewing the application of the supplier to service Franchisee and all current and future reasonable costs and expenses, including Travel Expenses, related to inspecting, reinspecting and auditing the Suppliers' facilities, equipment, and food products, and all product testing costs paid by Company to third parties.

10.4 Purchases from Company, Extensions of Credit.

10.4.1 Company shall not be liable to Franchisee on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by events or circumstances beyond Company's reasonable control including such events as labor or material shortages, conditions of supply and demand, import/export restrictions, or disruptions in Company's supply sources. In the event from time to time that the available supply of any product is inadequate to fulfill the needs or orders of all Restaurants operated by Company, its Affiliates and its franchisees, including Franchisee, Company shall make such allocations of product as it may decide in good faith.

10.4.2 All product orders by Franchisee from Company and its Affiliates shall be subject to acceptance by Company (or the applicable Affiliate) at Company's (or the applicable Affiliate's) designated offices, and Company (or the applicable Affiliate) reserves the right to accept or reject, in whole or in part, any order placed by Franchisee. Franchisee shall submit to Company (or the applicable Affiliate), upon written request, financial statements which contain sufficient information to enable Company (or the applicable Affiliate) to determine the credit limits, if any, to be extended to Franchisee. Company and its Affiliates reserve the right to require or impose other credit terms, including payment by Franchisee for goods or services on a cash on delivery basis, by electronic funds transfer (including debit initiated by Company or its Affiliates).

10.4.3 Each order placed by Franchisee, whether oral or written, for any product shall be deemed to incorporate all of the terms and conditions of this Agreement, shall be deemed subordinate to this Agreement in any instance where any term or condition of such order conflicts with any term or condition of this Agreement, and shall include such information as Company or its Affiliates may from time to time specify, and shall be submitted on such form of purchase order as may be prescribed by Company or its Affiliate (as applicable) from time to time. No purchase order submitted by Franchisee shall contain any terms except as approved in writing by Company, nor be deemed complete unless all of the information required by the prescribed purchase order form, as revised from time to time, is provided by Franchisee. No new or additional term or condition contained in any order placed by Franchisee shall be deemed valid, effective or accepted by Company or its Affiliate unless such term or condition shall have been expressly accepted by Company or such Affiliate in writing.

10.5 Payments to Company. Franchisee acknowledges and agrees that (i) Company may, from time to time, receive marketing, administrative and other payments and allowances from Suppliers on account of purchases made by Company and its Affiliates, and by Franchisee and other franchisees operating under the System; and (ii) that Company and its Affiliates may, from time to time, charge a mark-up in connection with Proprietary Products or Non-Proprietary Products supplied to Franchisee by Company or its Affiliates. Company shall have no liability, duty or obligation to Franchisee on account thereof, including any obligation to remit any portion of any such amounts to Franchisee. Company reserves the right to receive marketing, administrative and other payments and allowances from Suppliers on account of purchases made by Company and its Affiliates, and by Franchisee and other franchisees operating under the System. Company has no obligation to remit any portion of any such amounts to franchisees.

10.6 Purchase/Distribution Programs. Franchisee that Company may establish a national, system-wide, regional or other purchase or distribution program, or both, for any of Franchisee's goods, raw materials or supplies. Franchisee will participate in such purchasing program in accordance with the terms of such program.

10.7 Test Marketing. Company may, from time to time, authorize Franchisee to test market products and/or services in connection with the operation of the Restaurant. Franchisee shall cooperate with Company in connection with the conduct of such test marketing programs and shall comply with the Company's rules and regulations established from time to time in connection herewith.

ARTICLE 11
REPORTS, BOOKS AND RECORDS, INSPECTIONS

11.1 General Reporting. Franchisee shall submit periodic financial reporting forms (at the times and on forms prescribed by Company from time to time) and such other financial, operational and statistical information as Company may require, including the following:

11.1.1 Franchisee shall allow Company or its designee to poll, on a daily basis at a time or times selected by the Company, the POS System to retrieve sales, operations data, and other information.

11.1.2 On or before the Monday immediately following each Reporting Period, Franchisee shall submit a sales summary signed and certified as accurate by Franchisee, in a form and communicated through the method prescribed by Company, reporting all Gross Sales for the preceding Reporting Period together with such additional financial information as Company may from time to time request (the "Sales Report").

11.1.3 On or before the 30th day following each Accounting Period during the Term, Franchisee shall submit to Company a Financial Statement for the preceding Accounting Period, which shall be certified by Franchisee to be accurate and complete. Franchisee shall also provide Company with quarterly sales and menu mix data in the format and manner prescribed by Company.

11.1.4 At least 30 days before the beginning of each calendar year, Franchisee shall submit to Company an annual business plan (for such calendar year) on the form prescribed by Company from time to time.

11.1.5 Within 60 days following the end of each calendar year, Franchisee shall submit to Company: (a) an annual Financial Statement (if Franchisee obtains an audit or other report from any third party of its Financial Statements the audit or other report shall be promptly provided to Company) prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP"), consistently applied, and prepared in such form and manner prescribed by Company, which shall be certified by Franchisee to be accurate and complete; (b) a true and correct copy of Franchisee's annual tax returns; and (c) true and correct copies of signed original sales and use tax forms required to have been filed with the appropriate state or local authority. Company reserves the right to require such further information concerning the Restaurant as Company may from time to time reasonably request.

11.1.6 Franchisee shall immediately (in no event more than 24 hours following) notify Company of any (a) incident that may adversely affect the operation or financial condition of Franchisee, any guarantor of Franchisee's obligations hereunder, the Restaurant, Company or its Affiliates; (b) legal action (including the commencement of a suit or proceeding, or the threat thereof), (c) issuance of any writ, order, injunction, award or decree of any court, agency or government authority, including any citation, fine or closing order, or (d) any other adverse inquiry, notice, demand or sanction received by Franchisee relating to the operation of the Restaurant or Location, including any alleged violation of any applicable law, including health, safety or employment law violations, and including any labor dispute or actual or threatened labor strike, work stoppage, lock-out or other incident relating to any labor agreement, and shall provide Company with copies of all related correspondence and other communications and information relating thereto.

11.2 Unit Evaluations.

11.2.1 Company's authorized representatives shall have the right to enter Franchisee's Location and Restaurant during business hours, with or without notice, without unreasonably disrupting Franchisee's business operations, for the purposes of examining same, performing Unit Evaluations. Upon request, Franchisee shall, without cost to Company or its representatives, prepare for such persons and their guests, if any, typical customer-type meals as described in the Manuals or as otherwise ordered by such persons. Unit Evaluations are not limited as to frequency.

11.2.2 If any Unit Evaluation indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including but not limited to quality, cleanliness, service, health and authorized product line, Company will notify Franchisee in writing of Franchisee's non-compliance with the Manuals, the System, or this Agreement. Franchisee shall have 24 hours after receipt of such notice, or such other greater time period as Company in its sole discretion may provide, to correct or repair such deficiency or unsatisfactory condition, if it can be corrected or repaired within such period of time. If the nature of such deficiency or unsatisfactory condition is such that it cannot be corrected within a 24 hour period, Company shall provide Franchisee with such additional time as Company deems necessary, provided that Franchisee immediately commences to cure the same and thereafter diligently pursues it to completion.

11.2.3 Franchisee shall promptly reimburse Company for all of its costs and expenses including, without limitation, Travel Expenses incurred in connection with all Unit Evaluations, Franchisee's Location and the Restaurant if such costs and expenses are not separately billed to Franchisee by a third party. If the representative is a third-party service provider, Franchisee will upon Company's request pay the representative directly.

11.3 Financial Audits. Company, its agents or representatives may audit Franchisee's books and records. In connection with such audit(s) or other operational visits, Franchisee shall keep its cash receipts records, monthly control forms, accounts payable records including all payments to Franchisee's Suppliers in its Restaurant or at its business office for 5 years after their due date, which records shall be available for examination by Company or its representative(s), at Company's request. Without any prior written notice, Company, its agents or representatives may inspect Franchisee's entire Restaurant and Franchisee's daily, weekly and monthly, and other periodic (i.e. each Reporting Period) statistical information which is required under the Manuals. If any audit or other investigation reveals an under-reporting or under-recording error of 2% percent or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Company, plus interest at the highest compound rate authorized by law.

11.4 Books and Records. Franchisee shall maintain an accounting and record keeping system, which shall provide for accounting information necessary to prepare financial statements in accordance with GAAP, a general ledger, and reports required by this Agreement and the Manuals. Franchisee shall maintain adequate and verifiable books and supporting documentation relating to such accounting information.

11.5 Operating of the Restaurant. Franchisee acknowledges and agrees that it is solely responsible for the operation of the Restaurant, including keeping of Franchisee's accounting system; any and all labor relations, including wage and hour regulation compliance, hiring, firing, supervising and disciplining Franchisee's employees, setting work schedules, compensation of such employees and the correct processing thereof; and for obtaining all necessary business licenses.

ARTICLE 12
MARKS

12.1 Use of Marks. Subject to Section 12.7, the Restaurant herein licensed and franchised shall be named "Ruby's® Diner" without any suffix or prefix attached thereto and Franchisee shall use and display such of the Marks and such signs, advertising and slogans as Company may from time to time prescribe or approve. Upon expiration or sooner termination of this Agreement, Company may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary in Company's judgment to end and cause the discontinuance of Franchisee's use of the Marks and Company is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact so to do. During the Term, Franchisee shall identify its Restaurant as an independently owned and operated franchise of Company, in the form and manner specified by Company, including, without limitation, on all invoices, order forms, receipts, checks, business cards, on posted notices located on the premises of the Restaurant and in other media and advertisements as Company may direct from time to time.

12.2 Non-Use of Trade Name. If Franchisee is a business entity, it shall not use the Marks, or Company's trade name, including, without limitation, "Ruby's," "Ruby's Diner," or any other words or symbols which are confusingly similar to the Marks, as all or part of Franchisee's name.

12.3 Use of Other Marks. Franchisee shall not display the trademark, service mark, trade name, insignia or logotype of any other person or business entity in connection with the operation of the Restaurant without the express prior written consent of Company, which may be withheld in its sole subjective discretion.

12.4 Non-ownership of Marks. Nothing herein shall give Franchisee any right, title or interest in or to any of the Marks, except a mere privilege and license during the Term, to display and use the same according to the terms and conditions herein contained.

12.5 Defense of Marks. If Franchisee receives notice, or is informed, of any claim, suit or demand against Franchisee on account of any alleged infringement, unfair competition, or similar matter on account of its use of the Marks in accordance with the terms of this Agreement, Franchisee shall promptly notify Company of any such claim, suit or demand. Thereupon, Company shall take such action as it may deem necessary and appropriate to protect and defend Franchisee against any such claim by any third party, provided that Franchisee has used the Marks in accordance with the terms of this Agreement and the Manuals. Franchisee shall not settle or compromise any such claim by a third party without the prior written consent of Company. Company and its Affiliates shall have the sole right to defend, compromise or settle any such claim, in its discretion, at Company's and its Affiliate's sole cost and expense, using attorneys of their own choosing, and Franchisee shall cooperate fully with Company and its Affiliates in connection with the defense of any such claim.

12.6 Prosecution of Infringers. If Franchisee shall receive notice or is informed or learns that any third party, which it believes to be unauthorized to use the Marks, is using the Marks or any variant thereof, Franchisee shall promptly notify Company of the facts relating to such alleged infringing use. Thereupon, Company shall, in its sole discretion, determine whether or not it wishes to take any action against such third person on account of such alleged infringement of the Marks. Franchisee shall have no right to make any demand against any such alleged infringer or to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of such infringement.

12.7 Modification of Marks. From time to time, in the Manuals or in directives or bulletins supplemental thereto, Company may add to, delete or modify any or all of the Marks. Franchisee shall at its cost and expense, use, or cease using, as may be applicable, the Marks, including but not limited to, any such modified or additional trade names, trademarks, service marks, logotypes and commercial symbols, in strict accordance with the procedures, policies, rules and regulations contained in the Manuals or in written directives issued by Company to Franchisee, as though they were specifically set forth in this Agreement.

12.8 Acts in Derogation of the Marks. Franchisee agrees that the Marks are the exclusive property of Company and/or its Affiliates and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed and/or franchised use thereof, or otherwise. Franchisee further agrees that it is familiar with the standards and high quality of the use by Company and others authorized by Company of the Marks in the operation of Ruby's® Brand Restaurants, and agrees that Franchisee will maintain this standard in its use of the Marks. Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Company or its Affiliates in connection with the same, either during the Term of this Agreement or thereafter, and that it will use the Marks only for the uses and in the manner licensed and/or franchised hereunder and as herein provided. Without limiting the foregoing, Franchisee shall not (i) interfere in any manner with, or attempt to prohibit, the use of the Marks by any other franchisee or licensee of Company; or (ii) divert or attempt to divert any business or any customers of the Restaurant to any other person or business entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks.

12.9 Assumed Name Registration. If Franchisee is required to do so by any statute or ordinance, Franchisee shall promptly upon the execution of this Agreement file with applicable government agencies or offices, a notice of its intent to conduct its business under the name "Ruby's® Diner." Promptly upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall promptly execute and file such documents as may be necessary to revoke or terminate such assumed name registration, and if Franchisee shall fail to promptly execute and file such documents as may be necessary to effectively revoke and terminate such assumed name registration, Franchisee hereby irrevocably appoints Company as its attorney-in-fact to do so for and on behalf of Franchisee.

ARTICLE 13
COVENANTS REGARDING OTHER BUSINESS INTERESTS

13.1 Non-Competition. Franchisee acknowledges that the System is distinctive and has been developed by Company and/or its Affiliates at great effort, time, and expense, and that Franchisee has regular and continuing access to valuable and confidential information, training, and Trade Secrets regarding the System. Franchisee recognizes its obligations to keep confidential such information as set forth herein. Franchisee therefore agrees as follows:

13.1.1 During the Term, Franchisee, each of its Owners and Affiliates, and the respective officers, directors, managers, partners, Affiliates and spouses of each of them (collectively, "Restricted Persons") shall not in any capacity, either directly or indirectly, (i) engage in any Competitive Activities at any location, whether within or outside the Protected Territory, unless Company has provided its prior consent thereto in writing, or (ii) divert or attempt to divert any business or any customers of the Restaurant to any other person or business entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks.

13.1.2 To the extent permitted by applicable law, upon the expiration or termination of this Agreement, or if there shall occur any Assignment, or if any Restricted Person's relationship with Franchisee shall cease, then for a period of one (1) year thereafter, each person who was a Restricted Person before that event shall not in any capacity, either directly or indirectly, engage in any Competitive Activities, within an area within ten (10) miles from the Location or any then-existing Ruby's® Brand Restaurant, without the Company's prior written consent.

13.1.3 The parties have attempted in Sections 13.1.1 and 13.1.2 above to limit the Restricted Persons' right to compete only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if the scope or enforceability of Section 13.1.1 and 13.1.2 is disputed at any time by a Restricted Person, a court, referee or arbitrator, as the case may be, may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under applicable law. In addition, the Company reserves the right to reduce the scope of either, or both, of said provisions without the consent of Franchisee or any Restricted Person, at any time or times, effective immediately upon notice to Franchisee.

13.2 Trade Secrets.

13.2.1 Restricted Persons may have access to, proprietary and confidential information, including the Proprietary Software (and related documentation) recipes, secret ingredients, specifications, plans, procedures, concepts and methods and techniques of developing and operating the Restaurant and producing Authorized Products (the "Trade Secrets"). Company may disclose certain of its Trade Secrets to Restricted Persons in the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, and through the Company's training program and other guidance and management assistance, and in performing Company's other obligations and exercising Company's rights under this Agreement. "Trade Secrets" shall not include information which: (a) has entered the public domain or was known to Franchisee prior to Company's disclosure of such information to Franchisee, other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its Affiliates; (b) becomes known to the Restricted Persons from a source other than Company or its Affiliates and other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its Affiliates; or (c) was independently developed by Franchisee without the use or benefit of any of the Company's Trade Secrets. The burden of proving the applicability of the foregoing will reside with Franchisee.

13.2.2 Each Restricted Person shall acquire no interest in the Trade Secrets other than the right to use them in developing and operating the Restaurant during the Term of this Agreement. A Restricted Person's duplication or use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition. Each Restricted Person shall: (i) not use the Trade Secrets in any business or other endeavor other than in connection with the Restaurant; (ii) maintain absolute confidentiality of the Trade Secrets during and after the Term of this Agreement; and (iii) make no unauthorized copy of any portion of the Trade Secrets, including without limitation, the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral. Franchisee shall operate and implement all reasonable procedures prescribed from time to time by Company to prevent unauthorized use and disclosure of the Trade Secrets, including, implementing restrictions and limitations as Company may prescribe on disclosure to employees and use of non-disclosure and non-competition provisions in employment agreements with employees who may have access to the Trade Secrets. Promptly upon Company's request, Franchisee shall deliver executed copies of such agreements to Company.

13.2.3 In the event any portion of the above covenants violates laws affecting Franchisee or any other Restricted Person, or is held invalid or unenforceable in a final judgment to which Company and Franchisee are parties, then the maximum legally allowable restriction permitted by law shall control and bind Franchisee. Company may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any such reduced covenant upon receipt of written notice. The provisions of this <u>Section 13.2</u> shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement, or pursuant to applicable law.

13.3 <u>Survival</u>. The provisions of this Article shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Company for any infringement of, violation of, or interference with, this Agreement, or the Marks, System, Trade Secrets, or any other proprietary aspects of Company's business.

ARTICLE 14
INTERFERENCE WITH EMPLOYMENT RELATIONS

14.1 <u>Prohibitions During Term</u>. During the Term of this Agreement, Franchisee shall not, without the prior written consent of Company and, if applicable, the applicable franchisee, directly or indirectly: (a) induce or attempt to induce any current employee of Company, an Affiliate of Company or any other franchisee or area developer of Company to leave his or her employment; (b) employ or attempt to employ any person who within six (6) months prior thereto had been employed by Company, an Affiliate of Company, or any other franchisee or multi-unit developer of Company.

14.2 <u>Prohibitions After Term</u>. The prohibitions set forth in <u>Section 14.1</u> above shall also apply during the one (1) year period after the expiration, termination or Assignment of this Agreement.

ARTICLE 15
ASSIGNMENT

15.1 <u>Assignment by Company</u>. This Agreement is fully transferable by Company, in whole or in part, without the consent of Franchisee and shall inure to the benefit of any transferee or their legal successor to Company's interests herein. Without limiting the foregoing, Company may (i) assign or delegate any or all of its rights and obligations under this Agreement to a subsidiary or Affiliated entity; (ii) sell its assets, its Marks, or its System outright to a third party (including or subject to this

Agreement); (iii) go public; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another corporation; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Company shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof). Company shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment.

15.2 Assignment by Franchisee.

15.2.1 The rights and duties created by this Agreement are personal to Franchisee. This Agreement has been entered into by Company in reliance upon and in consideration of the singular individual or collective character, reputation, skill attitude, business ability, and financial capacity of Franchisee, or if applicable, its Owners who will actively and substantially participate in the development ownership and operation of the Restaurant. Accordingly, except as otherwise may be permitted herein, neither Franchisee nor any Owner shall directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement or in all or substantially all of the assets of the Restaurant, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise (an "Assignment"), without Company's prior written consent, which consent may be withheld for any reason whatsoever in Company's sole subjective judgment. Any such purported Assignment occurring by operation of law or otherwise without Company's prior written consent shall constitute a material breach of this Agreement by Franchisee, and shall be null and void. Except in the instance of Franchisee advertising to sell its Restaurant pursuant to the terms hereof, Franchisee shall not, without Company's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior decor items, supplies, fixtures, equipment, Franchisee's lease or the real or personal property used in connection with the Restaurant. Franchisee shall not subfranchise, subcontract, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Franchisee the right to do so. Any request by Franchisee to enter into an Assignment must be made in writing and delivered to Company at the address specified in accordance with Article 20. Company shall use reasonable efforts to respond to such written request within 30 days of its receipt thereof, and Company's failure to respond within such period shall be deemed to be Company's disapproval of Franchisee's request for an Assignment.

15.2.2 If Franchisee is a business entity, each of the following shall be deemed to be an Assignment of this Agreement: (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of 25% or more in the aggregate, whether in one or more transactions, of the equity or voting power of Franchisee, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Franchisee; (ii) the issuance of any securities by Franchisee which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, owning 75% or less of the outstanding equity or voting power of Franchisee; (iii) if Franchisee is a partnership, the withdrawal, death or legal incapacity of a general partner or of any limited partner owning 25% or more of the partnership rights of the partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its partnership rights in the partnership, or any change in the ownership or control of any general partner; (iv) the death or legal incapacity of any Owner owning 25% or more of the equity or voting power of Franchisee; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected. If Franchisee is a business entity, Franchisee shall promptly provide Company with written notice (stating such information as Company may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment" as defined under Section 15.2.1.

Without limiting Company's discretion in granting or withholding its consent to any Assignment, Company may impose any or all of the following conditions thereto:

15.2.3 Upon the execution of this Agreement and upon each direct or indirect transfer of an interest in this Agreement or in Franchisee and at any other time upon Company's request, Franchisee shall, within 5 days prior to such transfer or at any other time at Company's request, furnish Company with an estoppel agreement indicating any and all causes of action, if any, that Franchisee may have against Company or if none exist, so stating, and a list of all Owners having an interest in this Agreement or in Franchisee, the percentage interest of Owner, and a list of all officers and directors, in such form as Company may require;

15.2.4 Franchisee's written request for consent to any Assignment must be accompanied by an offer to Company of a right of first refusal at the same cash price offered by any bona fide buyer (the proposed buyer may not offer non-cash consideration, except a promissory note). Company shall have the right and option, exercisable within 30 days after receipt of such written notification, to send written notice to Franchisee or such person that Company or its third-party designee, intends to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the buyer. If Company exercises its right of first refusal, the training and transfer/administrative fees due by Franchisee in accordance with Section 15.2.12 shall be waived by Company, and the closing of the transaction shall occur within 120 days following the date of Company's acceptance. If Company waives its right of first refusal, any material change in the terms of an offer prior to closing (or if the closing does not occur within 120 days of the written notice provided by Franchisee) shall be deemed a new offer, subject to the right of first refusal by Company, or its third-party designee, as in the case of the initial offer. Company's failure to exercise such option shall not constitute a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer;

15.2.5 The Franchisee is not in breach or default under the terms of this Agreement, the Manuals or any other obligations owed Company or its Affiliates, and all of its then-due monetary obligations to Company or its Affiliates have been paid in full;

15.2.6 The Franchisee and its Owners, if the Franchisee is a business entity, have executed a general release under seal, in a form prescribed by Company, of any and all claims against Company, its Affiliates, subsidiaries, shareholders, directors, officers, and employees;

15.2.7 The transferee/assignee has demonstrated to Company's satisfaction that it meets all of Company's then-current requirements for new franchisees or for holders of an interest in a franchise, including, without limitation, possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, and the ability to fully comply with the terms of this Agreement and the Manuals;

15.2.8 The transferee/assignee has assumed this Agreement by a written assumption agreement approved by Company, or has agreed to do so at closing, and at closing executes an assumption agreement approved by Company;

15.2.9 The transferee/assignee, its Managers and other employees responsible for the operation of the Restaurant have satisfactorily completed Company's training program;

15.2.10 The transferee/assignee executes such other documents as Company may require, including a replacement franchise agreement on the form then-currently being provided to prospective franchisees, or if not then being so provided, then such form selected by the Company which previously shall have been delivered to and executed by a franchisee or area Franchisee of Company.

15.2.11 The Franchisee transfers all Franchise Agreements between Franchisee (and its Affiliates) and Company to the same transferee/assignee; and

15.2.12 Upon submission of Franchisee's request for Company's consent to any proposed Assignment, Franchisee shall pay to Company a transfer fee ("Transfer Fee") in the amount of $7,500.00.

15.2.13 Company's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise.

15.3 Business Entity Franchisee. If a Franchisee is a business entity, the following additional provisions will apply.

15.3.1 Franchisee represents and warrants that the information set forth in Exhibit A, which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Franchisee shall notify Company in writing within 10 days of any change in the information set forth in Exhibit A, and shall submit to Company a revised Exhibit A, certified by Franchisee as true, correct and complete and upon acceptance thereof by Company shall be annexed to this Agreement as Exhibit A. Franchisee promptly shall provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

15.3.2 All of Franchisee's organizational documents (including articles of partnership, partnership agreements, articles of incorporation, articles of organization, bylaws, shareholders agreements, trust instruments, or their equivalent) will provide that the issuance and transfer of any interest in Franchisee is restricted by the terms of this Agreement, and that sole purpose for which Franchisee is formed (and the sole activity in which Franchisee is or will be engaged) is the development and operation of Ruby's® Brand Restaurants, pursuant to one or more franchise agreements from Company. Franchisee shall submit to Company, upon the execution of this Agreement and thereafter from time to time upon Company's request, copies of such organizational documents and a certified resolution of Franchisee (or its governing body) confirming that Franchisee is in compliance with this provision.

15.3.3 Upon the execution of this Agreement, upon each Assignment or other transfer or assignment of an interest in Franchisee, and at any other time upon Company's request, all holders of a 10% or greater interest in Franchisee (each a "Principal Owner"), and each of their spouses (as applicable), must execute a written guaranty in a form prescribed by Company, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other holders of a 10% or greater interest in Franchisee the full payment and performance of Franchisee's obligations to Company and to Company's Affiliates.

15.3.4 Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Company, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to Company for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Company for such review prior to their use. No Franchisee offering shall imply that Company is participating in an underwriting, issuance or offering of securities of Franchisee or Company, and Company's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Company and its affiliates. Company may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Company concerning the limitations described in the preceding sentence. Franchisee, its constituents and the other participants in the offering must fully defend and indemnify Company, and its affiliates, their respective partners and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering. For each proposed offering, Franchisee shall pay to Company a non-refundable fee of $5,000, or such greater amount as is necessary to reimburse Company for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Franchisee shall give Company written notice at least 30 days prior to the date of commencement of any offering or other transaction covered by this Section 15.3.4.

ARTICLE 16
DEFAULT AND TERMINATION

16.1 General. Company shall have the right to terminate this Agreement prior to its scheduled Expiration Date only for cause. "Cause" is hereby defined as a material breach of this Agreement. Company shall exercise its right to terminate this Agreement upon notice to Franchisee upon the following circumstances and manners.

16.2 Automatic Termination Without Notice. Subject to applicable laws of the jurisdiction in which the Restaurant is located to the contrary, Franchisee shall be deemed to be in material breach under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee if: (i) Franchisee shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors; (ii) Franchisee shall allow a judgment against him in the amount of more than $5,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed); (iii) the Restaurant or Location, or the Franchisee's assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder provided that a final judgment against the Franchisee remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); (iv) a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Restaurant, and it is not discharged within 5 days of such levy or attachment; (v) Franchisee permits any mechanics lien to attach to the Restaurant or to any equipment or other Restaurant Improvements; (vi) Franchisee allows or permits any judgment to be entered against Company or its subsidiaries or Affiliated corporations, arising out of or relating to the operation of the Restaurant; or (vii) Franchisee is convicted of any felony, or any criminal misconduct relevant to the operation of the Restaurant.

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

16.3.1 Abandonment. If Franchisee shall abandon the Restaurant. For purposes of this Agreement, "abandon" shall refer to (i) Franchisee's failure, at any time during the term of this Agreement, to keep the Restaurant open and operating for business for a period of 5 consecutive days, except as provided in the Manuals, (ii) Franchisee's failure to keep the Restaurant open and operating for any period after which it is not unreasonable under the facts and circumstances for Company to conclude that Franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to Force Majeure (subject to Franchisee's continued compliance with Section 5.4.8), and (iii) failure to actively and continuously maintain and answer Franchisee's telephone;

16.3.2 Assignment, Death or Incapacity. If Franchisee shall purport to make any Assignment without the prior written consent of Company; provided, however, on condition that the Restaurant continues to be operated in conformity with this Agreement (i) upon prompt written request and upon the death or legal incapacity of a Franchisee who is an individual, Company shall allow up to 6 months after such death or legal incapacity for the heirs, personal representatives, or conservators (the "Heirs") of Franchisee either to enter into a new Franchise Agreement upon Company's then-current form (except that no initial franchise fee or transfer fee shall be charged), if Company is subjectively satisfied that the Heirs meet Company's standards and qualifications, or if not so satisfied to allow the Heirs to sell the Restaurant to a person approved by Company, or (ii) upon prompt written request and upon the death or legal incapacity of an Owner owning 25% or more of the equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning 25% or more of any of the partnership rights of a Franchisee which is a partnership, Company shall allow a period of up to 6 months after such death or legal incapacity for the Heirs to seek and obtain Company's consent to the transfer or Assignment of such stock, membership interests or partnership rights to the Heirs or to another person acceptable by Company. If, within said 6 month period, the Heirs fail either to enter into a new franchise agreement or to sell the Restaurant to a person approved by Company pursuant to Section 15.2, or fail either to receive Company's consent to the Assignment of such stock, membership interest or partnership rights to the Heirs or to another person acceptable by Company, as provided in Section 15.2, this Agreement shall thereupon automatically terminate;

16.3.3 Repeated Defaults. If Franchisee shall default in any material obligation as to which Franchisee has previously received 3 or more written notices of default from Company setting forth the material breach complained of within the preceding 12 months, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure;

16.3.4 Misrepresentation. If Franchisee makes any material misrepresentations relating to its application for the franchise;

16.3.5 Violation of Law. If Franchisee fails, for a period of 10 days after having received notification of noncompliance from Company or any governmental authority, to comply with any federal, state or local law or regulation applicable to the operation of the Restaurant;

16.3.6 Health or Safety Violations. Franchisee's conduct of the Restaurant is so contrary to this Agreement, the System or the Manuals as to constitute an imminent danger to the public health, or Franchisee sells expired or other unauthorized products to the public after notice of such default;

16.3.7 Unfair Competition. Any violation by Franchisee of Section 13.1; Franchisee's intentional disclosure or use in violation of this Agreement of the contents of the Manual, Trade Secrets or confidential or proprietary information provided to Franchisee by Company, excluding independent acts of employees or others if Franchisee has exercised its best efforts to prevent such disclosures or use;

16.3.8 Under Reporting. If an audit or investigation conducted by Company hereof discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Company, or knowingly understated its Gross Sales or withheld the reporting of same as herein provided;

16.3.9 Criminal Offenses. If Franchisee is convicted of a felony or any other crime or offense that is reasonably likely, in the sole opinion of Company, to adversely affect the System, the Marks, the goodwill associated therewith, or Company's interest therein;

16.3.10 Intellectual Property. If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Company's rights therein, or which reflects materially and unfavorably upon the operation and reputation of the Restaurant or System.

16.4 Termination With Notice and Opportunity To Cure. Except for any breach or default by Franchisee under Sections 16.2 or 16.3, or as otherwise expressly provided in this Agreement, Franchisee shall have 10 days (5 days in the case of any breach or default in the timely payment of sums due to Company or its Affiliates), after Company's written notice of default within which to remedy any breach or default under this Agreement, and to provide evidence of such remedy to Company. If any such breach or default is not cured within that time period, or such longer time period as applicable law may require or as Company may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure. Franchisee shall be in material breach under this Article for any failure to comply with any of the requirements imposed by this Agreement. Such material breaches and defaults shall include the occurrence of any one or more of the following events:

16.4.1 Franchisee's failure, refusal, or neglect to promptly pay any monies owed to Company, its subsidiaries or Affiliates, or any Regional Advertising Group, when due, or to submit the financial or other information required by Company under this Agreement;

16.4.2 Franchisee's failure to maintain the standards specified by Company in the Manual or otherwise;

16.4.3 Franchisee's failure, refusal or neglect to obtain Company's prior written approval or consent as required by this Agreement;

16.4.4 Franchisee's commencement of or conducting any business operation, or marketing of any product, under a name or mark which, in Company's reasonable opinion, is confusingly similar to the Marks;

16.4.5 Franchisee's default, without cure after the applicable grace period, under any lease, mortgage, or deed of trust covering the Location;

16.4.6 Franchisee's failure to cooperate with Company's authorized representatives with respect to Unit Evaluations, or failure to cooperate with Company in connection with inspections or audits of the Restaurant and/or Franchisees books and records;

16.4.7 Franchisee's failure to receive an 80% or better score on each and every Unit Evaluation more than 3 times in any 12 consecutive month period; or

16.4.8 Franchisee's failure to procure or maintain the insurance required by this Agreement or in the lease for the Location.

16.5 Reimbursement of Company Costs. In the event of a breach or default by Franchisee, all of Company's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Company's administrative employees shall be paid to Company by Franchisee within 5 days after cure.

16.6 Cross-Default. Any material default by Franchisee under the terms and conditions of this Agreement or any lease, or any other agreement between Company, or any of its Affiliates, and Franchisee (or any Affiliate of Franchisee), or any default by Franchisee (or any Affiliate of Franchisee) of its obligations to any Regional Advertising Group of which it is a member, shall be deemed to be a material breach and default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto, Company may, at its option, terminate any or all said agreements. Notwithstanding the foregoing, however, Company may not terminate this Agreement in connection with any failure by Franchisee (or its Affiliates) to meet its development obligations under any multi-unit development agreement in effect.

16.7 Notice Required By Law. Notwithstanding anything to the contrary contained in this Article 16, in the event any valid, applicable law of a competent governmental authority having jurisdiction over this Agreement and the parties hereto shall limit Company's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Company shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or the termination thereof.

ARTICLE 17
RIGHTS AND OBLIGATIONS UPON TERMINATION

17.1 General. Upon the expiration or termination of Franchisee's rights granted under this Agreement:

17.1.1 Franchisee shall immediately cease to use the System, the Trade Secrets, the Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall at its own cost, make cosmetic changes to the interior and exterior of the Restaurant so that it no longer contains or resembles Company's proprietary designs including, without limitation: (i) removal of all Ruby's® Brand Restaurant identifying materials and distinctive Ruby's® Brand Restaurant cosmetic features and finishes, interior wall coverings and colors, exterior finishes and colors, signage and Ruby's® Brand Restaurant counter equipment (which shall be deemed proprietary to Company) from the Location as Company may reasonably direct; and (ii) such other tasks as may be required by Company in writing from time to time.

17.1.2 Company may retain all fees paid pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts owing to Company, its subsidiaries and Affiliates.

17.1.3 Any and all obligations of Company to Franchisee under this Agreement shall immediately cease and terminate.

17.1.4 Any and all rights of Franchisee under this Agreement shall immediately cease and terminate.

17.1.5 At Company's option, assign all telephone numbers (and associated listings) for Franchisee's Restaurant to Company or its designee.

17.1.6 If Company shall have authorized Franchisee to use the Marks, or any of them in connection with the Internet, any website, or e-mail address, Franchisee shall, at Company's option, cancel or assign to Company or its designee all of Franchisee's right, title and interest in any Internet and website home pages, e-mail addresses, domain name listings and registrations which contain the Marks, or any of them, in whole or in part.

17.1.7 At Company's election, Franchisee shall immediately sell to Company all of Franchisee's Proprietary Products and Non-Proprietary Products which bear the Marks and are in new and re-saleable condition and in sealed and unopened containers, at Franchisee's actual direct cost therefor. Franchisee shall sell to Company, at the Company's election (although Company has no obligation to purchase), any or all of the Restaurant Improvements (including equipment), used in connection with the Restaurant and designated by Company, including, without limitation, exterior and interior signs, at Franchisee's actual cost therefor, less a depreciation deduction computed on a straight-line basis over a 5 year useful life for the respective items (but in no event less than 10% of Franchisee's actual original cost for each of such purchased Restaurant Improvements). In addition, at Company's option, Franchisee shall assign to Company all of Franchisee's right and interest in and to the Location (and Premises), if the Franchisee shall lease the same. Any monies due Company may be offset against the purchase price payable to Franchisee. In connection with each of the transactions contemplated by this Section, Franchisee shall execute and deliver all reasonable and necessary documents and certificates as are customary in transactions of such nature, which documents shall be in form and substance acceptable to Company.

17.2 Survival of Obligations. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which constitute post- termination or post-expiration covenants or agreements shall survive the termination or expiration of this Agreement.

17.3 Government Filings. In the event Franchisee has registered any of the Marks or the name "Ruby's," or "Ruby's Diner" as part of Franchisee's assumed, fictitious or corporate name, Franchisee shall promptly amend such registration to delete the Marks and/or such names therefrom.

ARTICLE 18
INSURANCE

18.1 Insurance. Franchisee shall obtain and maintain (at all times during the Term) insurance coverage in the types and amounts of coverage and deductibles specified in the Manuals which shall in each instance designate Company and its designated Affiliates as additional named insureds, with an insurance company approved by Company, which approval shall not be unreasonably withheld.

18.2 Use of Proceeds. In the event of damage to the Restaurant covered by insurance, the proceeds of any such insurance shall be used to restore the Restaurant to its original condition (but in accordance with Company's then-current standards and specifications) as soon as possible, unless Company has otherwise consented to in writing. Franchisee shall promptly provide to Company proof of such insurance coverage in the form required by Company upon obtaining such insurance, and at such other times upon the request of Company.

18.3 Proof of Insurance. Franchisee shall, prior to opening the Restaurant, file with Company, certificates or other proof of such insurance in the form required by Company, and shall promptly pay all premiums on the policies as they become due. In addition, the policies shall contain a provision requiring 30 days prior written notice to Company of any proposed cancellation, modification, or termination of insurance. If Franchisee fails to obtain and maintain the required insurance, Company may, at its option, in addition to any other rights it may have, procure such insurance for Franchisee without notice and Franchisee shall pay, upon demand, the premiums and Company's costs in taking such action.

ARTICLE 19
RELATIONSHIP OF PARTIES, DISCLOSURE

19.1 Relationship of the Parties. Company and Franchisee are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. Franchisee must conspicuously identify itself at the premises of the Restaurant and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of the Restaurant under a franchise agreement from Company, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as Company requires.

19.2 Indemnity by Franchisee. Franchisee agrees to indemnify, defend and hold Company and its parents, subsidiaries, Affiliates, stockholders, members, directors, officers, employees, agents and assignees harmless against, and to reimburse Company or them for, any loss, liability or damages arising out of or relating to Franchisee's development, ownership or operation of the Restaurant, and all reasonable costs of defending any claim brought against Company or any of them or any action in which Company or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to Company's breach of this Agreement, gross negligence or willful misconduct. Franchisee must pay all losses, liability or damages Company incurs pursuant to Franchisee's obligations of indemnity under this Section regardless of any settlement, actions or defense Company undertakes or the subsequent success or failure of any settlement, actions or defense. Further, Franchisee agrees to give Company immediate notice of any such action, proceeding, demand or investigation brought against Franchisee or the Restaurant. Company may, at its option, designate counsel, at Franchisee's expense, to defend or settle such action, proceeding, demand or investigation brought against Franchisee or the Restaurant. This obligation does not diminish Franchisee's indemnification obligations under this Section.

ARTICLE 20
NOTICES

20.1 General. Except as otherwise expressly provided herein, all notices, submissions and reports required or permitted to be given pursuant to this Agreement shall be in writing, and shall be delivered by United States Mail by Registered Mail, Return Receipt Requested, postage prepaid and addressed to each of the parties at their respective addresses as they appear below. Notices shall be deemed received upon the earlier of the date of delivery shown on the return receipt, or the fourth day after the date of mailing.

If to Company:
Ruby's Franchise System, Inc.
201 Shipyard Way, Suite E
Newport Beach, CA 92663
Attn: **[____________________________]**

If to Franchisee: As indicated in Exhibit A.

Any party may change his or its address by giving 10 days prior written notice in accordance with this Section of such change to all other parties.

ARTICLE 21
DISPUTE RESOLUTION

21.1 Arbitration. Subject to Section 21.4 of this Agreement, and except as precluded by applicable law, any controversy or claim between Company and Franchisee arising out of or relating to this Agreement or any alleged breach hereof, and any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration. Said arbitration shall be conducted before and will be heard by three arbitrators in accordance with the then-current Commercial Rules of the AAA. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by applicable law, the proceedings shall be held in the Orange County, California. All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Company, and not in any class action or representative capacity, and shall not be joined with or consolidated with claims asserted by or against any other franchisee. The arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. Except as permitted by Section 22.11 (Severability), in no event may the material provisions of this Agreement including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at any arbitration hearing. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed.

21.2 Awards. The arbitrator will have the right to award or include in his award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, in accordance with Section 21.1 of this Agreement, provided that the arbitrator will not have the authority to award exemplary or punitive damages. The award and decision of the arbitrator will be conclusive and binding upon all parties and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties shall be bound by the provisions of any limitation on the period of time by which claims must be brought. The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counter-claim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceedings as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred. The provisions of §1283.05 of the California Code of Civil Procedure related to depositions and discovery (including any successor provisions) are hereby incorporated by this reference and made a part of this Agreement**.**

21.3 Permissible Parties. Franchisee and Company agree that arbitration will be conducted on an individual, not a class wide, basis and that any arbitration proceeding between Franchisee and Company will not be consolidated with any other arbitration proceeding involving Company and any other person or entity.1. Notwithstanding anything to the contrary contained in Section 21.1 of this Agreement, Company and Franchisee will each have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, and other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Company deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to Company and/or to protect the Marks; or any claim or dispute involving or contesting the validity of any of the Marks. However, the parties will contemporaneously submit their dispute for arbitration on the merits. Franchisee agrees that Company may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).1. Any claim between Company and Franchisee arising out of or relating to this Agreement or any alleged breach hereof will be barred unless filed before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; or (2) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim. Claims by Company for the underreporting of Gross Sales, for indemnification, or for claims related to Company's or its Affiliates rights under any of the Marks shall be subject only to the applicable state or federal statute of limitations.

21.4 Survival. The provisions of this Article 22 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

______________________	______________________
FRANCHISEE INITIALS	COMPANY INITIALS

ARTICLE 22
MISCELLANEOUS PROVISIONS

22.1 Company's Right To Cure Defaults. In addition to all other remedies herein granted if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement, Company may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee, cure such breach or default for the account and on behalf of Franchisee, and the cost to Company thereof shall be due and payable on demand and shall be deemed to be additional compensation due to Company hereunder and shall be added to the amount of compensation next accruing hereunder, at the election of Company.

22.2 Waiver and Delay. No waiver by Company of any breach or series of breaches or defaults in performance by Franchisee, and no failure, refusal or neglect of Company to exercise any right, power or option given to it hereunder or under any other franchise agreement between Company and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurant) or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement, any other franchise agreement between Company and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurant) or the Manuals, shall constitute a waiver of the provisions of this Agreement or the Manuals with respect to any subsequent breach thereof or a waiver by Company of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

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

22.4 Successors and Assigns; Benefit. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Company and shall be binding upon and inure to the benefit of

Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on transfer or Assignment contained herein.

22.5 Joint and Several Liability. If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Company are joint and several, and such person(s) or Business Entities shall be deemed to be a general partnership.

22.6 General Release. If Franchisee or any Affiliate of Franchisee has a currently- effective franchise agreement from Company, then Franchisee shall, and shall cause its Affiliates to, execute and deliver to Company a general release, in a form prescribed by Company, of all existing claims against Company arising out of those former agreements.

22.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any conflict of laws, except for the provisions in Article 13 which shall be governed by the laws of the state in which the breach occurs.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HEREBY WAIVE THEIR RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT NOT GOVERNED BY SECTION 21.1, AND THEY AGREE THAT, EXCEPT TO THE EXTENT PROHIBITED BY LAW, ORANGE COUNTY, CALIFORNIA SHALL BE THE VENUE FOR ANY LITIGATION ARISING UNDER THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT.

22.8 Entire Agreement. This Agreement contains all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof. No other agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements, understandings and representations are merged herein and superseded hereby. Except as set forth in the Franchise Disclosure Document, Franchisee represents that there are no contemporaneous agreements or understandings relating to the subject matter hereof between the parties that are not contained herein. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or in any Franchise Disclosure Document for prospective franchisees required by applicable law, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. Nothing in this or in any related agreement, however, is intended to disclaim the representations Company has made in the Franchise Disclosure Document that it furnished to Franchisee. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto.

22.9 Titles For Convenience. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

22.10 Gender And Construction. The terms of all Recitals, Appendices, Exhibits and Schedules hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or Section hereof may require. As used in this Agreement, the words “include,” “includes” or “including” are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, acceptance, approval or authorization of Company which Franchisee may be required to obtain hereunder may be given or withheld by Company in its sole discretion, and on any occasion where Company is required or permitted hereunder to make any judgment or determination, use its discretion or take any action (or refuse to take any action), including any decision as to whether any condition or circumstance meets Company's System Standards or satisfaction, Company may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. Company and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

22.11 Severability. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Manuals and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement or the Manuals thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement or the Manuals shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall (subject to Section 13.1.3) be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

22.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

22.13 Fees and Expenses. Should any party hereto commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision hereof, whether by judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, attorneys' fees. All sums which are due but unpaid to Company or Franchisee shall bear interest from the date due at the highest rate permissible by applicable law.

ARTICLE 23
SUBMISSION OF AGREEMENT

23.1 General. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Franchisee. THIS AGREEMENT SHALL NOT BE BINDING ON COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF COMPANY.

ARTICLE 24
REPRESENTATIONS AND ACKNOWLEDGMENT

24.1 Representation by Franchisee. Franchisee represents, warrants and covenants to Company that as of the date of this Agreement, Franchisee and each of its Owners shall be and, during the Term shall remain, in full compliance with all applicable laws in each jurisdiction in which Franchisee or any of its Owners, as applicable, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities. Without limiting the foregoing, Franchisee and and each of its Owners agree to comply with and/or to assist Company to the fullest extent possible in Company's efforts to comply with Anti-Terrorism Laws. As a result, Franchisee and its Owners certify, represent, and warrant that: (1) none of their property or interests is subject to being “blocked” under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws; (2) none of them is listed in the Annex to Executive Order 13224; (3) Franchisee will refrain from hiring (or, if already employed, retain the employment of) any individual who is listed in the Annex; (4) Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee’s owners, employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224; (5) Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee’s indemnification responsibilities set forth in this Agreement pertain to Franchisee’s obligations under this subsection; and (6) any misrepresentation under this subsection or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee’s Owners, agents, and/or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Company or its Affiliates

24.2 General. Franchisee, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

IN WITNESS WHEREOF, the parties hereof have executed this Agreement as of the date of execution by Company.

Company:

Ruby’s Franchise Systems, Inc. a California corporation

By: ____________________
Its: ____________________

Franchisee:

By: ____________________
Its: ____________________
Name: ____________________

APPENDIX 1

DEFINITIONS

In this Agreement the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

"Accounting Period" means the period(s) designated by Company from time to time in writing as "Accounting Period(s)."

"Affiliate" when used herein in connection with Company or Franchisee, includes each person or business entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Company or Franchisee, as applicable. Without limiting the foregoing, the term "Affiliate" when used herein in connection with Franchisee includes any business entity 25% or more of whose Equity or voting control, is held by person(s) or Business Entities who, jointly or severally, hold 25% or more of the Equity or voting control of Franchisee. For purposes of this definition, control of a person or business entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or business entity whether by contract or otherwise. Notwithstanding the foregoing definition, if Company or its Affiliate has any ownership interest in Franchisee, the term "Affiliate" shall not include or refer to the Company or that Affiliate (the "Company Affiliate"), and no obligation or restriction upon an "Affiliate" of Franchisee, shall bind Company, or said Company Affiliate or their respective officers, directors, or managers.

"Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national, provincial, federal, state and local laws, ordinances, regulations, policies, lists, Orders and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war.

"Authorized Products" means the specific appetizers, hamburgers, sandwiches, salads, chili, french fries, side orders, soups, shakes, malts, condiments, beverages, dessert items, and other food items and ancillary related products, which may include, books, cups, hats, t-shirts and novelty items, as specified by Company from time to time in Company's Manuals, or as otherwise directed by Company in writing, for sale at the Restaurant operated pursuant to this Agreement, prepared or manufactured (as applicable) and served in strict accordance with Company's recipes, quality standards and specifications, including specifications as to ingredients, brand names, preparation and presentation.

"Competitive Activities" means to, own, operate, lend to, advise, be employed by, or have any financial interest in any business that is the same or similar to a Ruby's® Brand Restaurant, including, but not limited to, food trucks and full service or fast-casual restaurants and other food service business which primarily features hamburgers, shakes or malts using a 1940's/1950's malt shop/diner design, or a Mid-Century Modern and Southern California "Googie" inspired design and architecture reminiscent of diners, malt shops, and grills of the 1960's.

"Financial Statement" means and includes a balance sheet, cash flow statement and profit and loss Statement, and self-directed advertising/local advertising worksheet (if applicable) prepared in the form and manner prescribed by the Company and in accordance with GAAP, consistently applied.

"Food Court" shall mean a common area within a shopping mall, lifestyle center, outlet mall or similar retail shopping complex, that is contiguous with the counters of multiple food vendors and provides a common area for self-serve dining.

"Force Majeure" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, riot, terrorism, or other civil disturbance; epidemics; or other unforseeable forces which Franchisee could not by the exercise of due diligence have avoided, provided however, that (a) Franchisee must use all commercially reasonable efforts to mitigate the effect of the Event of Force Majeure upon its performance and to fulfill its obligations under this Agreement, and upon completion of the event of Force Majeure, Franchisee must as soon as reasonably practicable recommence the performance of its obligations under this Agreement, and (b) neither an act or failure to act by a governmental authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, contractor, landlord, or other person (other than Company) shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. For the avoidance of doubt, Franchisee's financial inability (whether as a result of general economic conditions or conditions specific to Franchisee) to perform or Franchisee's insolvency shall not be an event of Force Majeure hereunder.

"General Manager" means an individual who may, but need not be, an Owner, designated and retained by Franchisee to be the head Manager responsible for supervising the operation and management (including, other Managers) of the Restaurant.

"Gross Sales" means gross revenues received or receivable by Franchisee as payment, whether in cash or for credit or barter (and, if for credit or barter, whether or not payment is received therefor), for all food, beverages, deserts, food preparation services, and other goods, merchandise, services, and supplies sold or prepared in the Restaurant, or which are promoted or sold under any of the Marks. Gross Sales shall include the proceeds of any business interruption insurance, after the satisfaction of any applicable deductible and sales from permitted vending devices; however, expressly exclude the following:

(a) Sums representing sales taxes collected directly from customers by Franchisee in the operation of the Restaurant, and any sales, value added or other tax, excise or duty charged to customers which is levied or assessed against Franchisee by any Federal, state, municipal or local authority, based on sales of specific food or merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate governmental authority;

(b) Sums representing tips, gratuities or service charges paid directly by Restaurant customers to employees of Franchisee or paid to Franchisee and promptly and to the extent turned over to such employees by Franchisee in lieu of direct tips or gratuities; and

(c) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Restaurant nor having any material effect upon the ongoing operation of the Restaurant required under this Agreement.

"Index" means the United States Department of Labor, Bureau of Labor Statistics Consumer Price index for All Urban Consumers, U.S. City Average, Subgroup "all Items" (1982-84=100). If the foregoing index is not available, the successor or substitute index published by the Bureau of Labor Statistics shall be used by Company as the Index. If the Bureau of Labor Statistics does not publish such successor or substitute Index, a reliable governmental or other non-partisan publication evaluating substantially the same consumer information shall be used by Company for the Index. If Company uses any substitute or successor index or other publication, the same shall be converted to a basis of 100 if the basis used for such other index or publication is less than 100.

"Ingredients" means those beef, chicken, dairy products, fruit, ice cream, yogurts, spices, vegetables, baked goods, powder mixes, and other ingredients and raw products, described and specified by Company in the Manuals or otherwise in writing from time to time, and each of which may from time to time be designated by Company to be a Proprietary Product or a Non- Proprietary Product.

"Manager" means an individual designated and retained by Franchisee to supervise the operation and management of the Restaurant, and includes the General Manager unless the context otherwise requires.

"Manuals" means Company's operations manuals, and all related manuals now or hereafter created by Company for use in the operation of a Ruby's® Brand Restaurant, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary manuals.

"Non-Traditional Venue" means airports, toll roads, supermarkets, public or private schools, colleges, universities, hospitals, cruise-ships, stadiums, convention centers, military and other governmental facilities, office or in-plant food facilities, supermarkets, grocery stores or convenience stores, or a site, venue or location within another primary business or in conjunction with other businesses or at institutional settings, and any other site, venue or location operated by a master concessionaire or contract food service provider, and any road, parking lot or other location at which a food truck (including a Ruby's® Diner Food Truck) is permitted by law to operate. The term "Non-Traditional Venue" expressly excludes Food Courts, except if the lessor, owner or operator ("Site Owner") of such Food Court shall have established operator qualification requirements, or other conditions, which Company knows or reasonably believes Franchisee does not satisfy and which would not be waived or modified by the Site Owner to allow Franchisee to execute a Franchise Agreement for such site.

"Operating Principal" means such individual designated by Franchisee, and approved in writing by Company, to serve as the authorized representative of Franchisee, who Franchisee acknowledges and agrees shall act as Franchisee's representative, and shall have the authority to act on behalf of Franchisee during the Term.

"Owner" means (i) any direct or indirect shareholder, member, Partner, trustee, or other Equity owner of a business entity; and (ii) and any person that owns or controls more than 5% of the voting rights of a business entity; except that if Company or any Affiliate of Company has any ownership or voting interest in Franchisee, the term "Owner" shall not include or refer to the Company or that Affiliate, and no obligation or restriction upon the "Franchisee," or its Owners shall bind Company, or said Affiliate or their respective officers, directors, or managers.

"Premises" means the Location and the property at which the Restaurant is located, including, unless otherwise expressly provided, any ancillary common areas, campus, buildings and other structures associated with the Premises.

"Reporting Period" means the weekly time period beginning on each Monday and ending on the following Sunday, or such other period as Company may designate from time to time in writing.

"Ruby's® Brand Restaurant" means any restaurant operated under a service mark that includes "Ruby's®" that is owned or operated by or under license from Company or its Affiliates, including a full service Ruby's® Diner Restaurant, fast casual Ruby's® Diner Restaurant, fast casual Ruby's Diner – Food Court, and Ruby's® Diner Food Truck.

"Ruby's® Diner Food Truck" means a mobile Ruby's® Diner food truck which utilize aspects of the System and certain Marks and serves certain menu items approved for sale from time to time by Company in various temporary non-fixed locations.

"Third Party Food Safety Program(s)" means (i) all food safety programs and/or certification programs required by Applicable Law; (ii) the ServSafe Food Safety Certification program (or other third party food safety program designated by Company); and/or (iii) such additional or other programs as Company may designate from time to time.

"Travel Expenses" means costs and expenses incurred by or assessed in connection with travel, including airfare, hotel/lodging, local transportation, meals, and, with regard to Company's employees', agents' and/or representatives' expenses, a per diem charge determined by Company in advance, with respect to other incidental expenses incurred, including, without limitation, laundry and/or telephone expenses.

"Unit Evaluations" means those tests, evaluations, inspections, procedures, facilities audits, surveys, quality control measurements, customer satisfaction standards and tests, established by Company from time to time to evaluate the Restaurant's performance and the compliance of Franchisee with Company's policies, quality standards and other operating standards and specifications. "Unit Evaluations" may include inspection by third persons, including "secret shoppers" and other forms of evaluations of the operation and compliance of the Restaurant.

"Venue" means any location or site which is not a Non-Traditional Venue.

EXHIBIT A

FRANCHISEE AND LOCATION INFORMATION

1. Restaurant Location. Company and Franchisee agree that the Restaurant will be located at the following Location: ____.

2. Protected Territory. Company and Franchisee agree that the Protected Territory will be a two (2) mile straight line radius surrounding the Location. A map of the Protected Territory will be attached to this Exhibit A when the Location is determined.

3. Initial Fee. The Initial Fee is $ _________________________.

4. Required Opening Date. Franchisee must open the Restaurant for business to the public on or before _______________________, 20____ (the "Required Opening Date").

5. Principal Owner(s). You represent and warrant to us that the following person(s) or entity, and only the following person(s) or entity, will be your Principal Owner(s):

NAME	HOME ADDRESS	PERCENTAGE OF INTEREST

6. Operating Principal. Franchisee represents and warrants to Company that the following person, and only the following person, is Franchisee's Operating Principal:

NAME	TITLE	ADDRESS

7. Notice Address. In accordance with Section 20.1, Franchisee's Notice Address is:

____

8. Change. Franchisee must immediately notify Company in writing of any change in the information contained in this Exhibit A and, at Company's request, prepare and sign a new Exhibit A containing the correct information.

9. Effective Date. This Exhibit A is effective as of this ______ day of ____________________, 20___.

_______________________________________ Your Initials

_______________________________________ Our Initials

EXHIBIT B

LEASE ADDENDUM

Restaurant Lease Addendum

THIS RESTAURANT LEASE ADDENDUM (this "Addendum") is dated **________________**, 20**__**, and is entered into by and between **_____________________** (the "Landlord") and **_____________________** (the "Tenant").

WHEREAS, the Landlord and the Tenant have entered into a lease, dated **_________**, 20**__**, (the "Lease"), for the Tenant's occupancy and operation of a RUBY'S DINER restaurant (the "Restaurant") at **____** (the "Premises").

WHEREAS, the Tenant has requested and the Landlord has agreed to incorporate certain provisions into the Lease as required by the terms of the Franchise Agreement, dated **________**, 20**___**, between the Tenant and Ruby's Franchise Systems, Inc. (the "Franchisor") for the franchised Restaurant operated at the Premises.

NOW, THEREFORE, notwithstanding anything to the contrary contained in the Lease, for valuable consideration, the Landlord and the Tenant agree as follows:

1. **Use of Marks.** The Landlord consents to the Tenant's use in the Restaurant and on the Premises of the Franchisor's trademarks, service marks, signage, interior and exterior design elements, color scheme including graphics, logos and other decorative features required by the Franchisor to identify the Premises as a RUBY'S DINER restaurant (collectively, the "Marks").

2. **Remodeling and Décor.** The Landlord agrees that the Tenant has the right to remodel, equip, paint and decorate the interior of the Premises and to display the Marks on the interior and exterior of the Premises as the Tenant is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which the Tenant may operate the Restaurant on the Premises.

3. **Personal Property.** The Landlord acknowledges and agrees that any furniture, fixtures, equipment or personal property maintained by the Tenant on the Premises and bearing the Marks, whether leased or owned by the Tenant, are not the property of the Landlord, and in the event of the Tenant's default under the Lease or the Franchise Agreement, may be removed at expiration or termination of the Lease by the Franchisor, so long as such removal is accomplished without damage to the Premises. The Landlord subordinates any lessor or landlord's lien it may have on the personal property located at the Premises to the rights of the Franchisor hereunder.

4. **Assignment of Lease.** The Tenant will have the unrestricted right to assign the Lease to the Franchisor or an affiliate of the Franchisor without the consent of the Landlord.

5. **Access to Premises.** The Landlord and the Tenant hereby acknowledge that the Tenant has agreed under the Franchise Agreement that the Franchisor and its employees or agents will have the right to enter the Premises for certain purposes as specified in the

Franchise Agreement. The Landlord hereby agrees not to interfere with or prevent such entry by the Franchisor, its employees or agents.

6. **Default under Lease; Assumption by Franchisor.** The Landlord agrees that in the event of default by the Tenant under the Franchise Agreement, the Franchisor or its designee may at Franchisor's option assume, enforce and perform the obligations of the Lease with the same force and effect as if performed by the Tenant. The Landlord will accept the Franchisor's (or its designee's) performance in lieu of performance by the Tenant in satisfaction of the Tenant's future obligations under the Lease. If the Franchise Agreement is terminated for any reason during the term of the Lease or any extension thereof, the Franchisor shall have the right, but not the obligation, to assume the Lease by giving the Landlord written notice within 30 days after receipt of such notice of its intent to do so.

7. **Termination of Lease.** The Landlord will not terminate the Lease on account of any default of the Tenant without giving written notice to the Franchisor and first providing to the Franchisor a reasonable opportunity, but not less than 30 days, to: (a) cause the Tenant to cure the default; or (b) declare the Tenant in default under the Franchise Agreement and exercise its rights under the Franchise Agreement. In the event the Franchisor elects to exercise its rights under the Franchise Agreement, the Landlord agrees not to terminate the Lease so long as the Franchisor or its designee agrees, within 30 days from the date the Franchisor gives written notice to the Landlord of its election to exercise its rights under this Addendum, to perform the future obligations of the Tenant under the Lease. However, nothing herein will require the Franchisor to cure any default of the Tenant under the Lease, but only gives it the option to assume the Tenant's future rights and obligations under the Lease.

8. **Access to Premises Following Expiration or Termination.** Upon the expiration or termination of the Franchise Agreement, the Landlord will cooperate with and assist the Franchisor in gaining possession of the Premises and if the Franchisor does not elect to assume or assign the Lease for the Premises, the Landlord will allow the Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to the Landlord, except for any damages caused by the Franchisor's willful misconduct or gross negligence, to remove all signs, awnings, and all other items identifying the Premises as a RUBY'S DINER restaurant and to make such other modifications (such as repainting) as are reasonably necessary to protect the Marks.

9. **Warranties.** The Landlord hereby represents and warrants that: (a) the Lease is a valid and enforceable agreement; (b) there has been no prior assignment of the Lease of which the Landlord has notice or is aware; (c) neither the Landlord nor the Franchisee is in default under the Lease; and (d) all covenants, conditions and agreements have been performed as required therein, except those not due to be performed until after the date hereof.

10. **Additional Provisions.**

(a) The Landlord hereby acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement under which the Tenant plans to operate the Restaurant and the Tenant would not lease the Premises without this Addendum.

(b) The Landlord further acknowledges that the Tenant is not an agent or employee of the Franchisor and the Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind the Franchisor or any affiliate of the Franchisor, and that the Landlord has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against the Franchisor or any affiliate of the Franchisor, unless and until the Lease is assumed and accepted in writing by, the Franchisor or a designee of the Franchisor.

11. **Beneficiary.** The Landlord and the Tenant expressly agree that the Franchisor is a third party beneficiary of this Addendum.

12. **Modifications**. The provisions of the Lease and/or this Addendum will not be modified, amended, extended, assigned or terminated without the prior written consent of the Franchisor.

13. **Notice.** In the event of the Tenant's default under the Lease in which the Landlord is obligated to give the Tenant written notice, the Landlord will at the same time that the Landlord sends notice to the Tenant, send notice to the Franchisor at the following address or such other address as the Franchisor specifies in written notice to the Landlord:

Ruby's Franchise Systems, Inc.
201 Shipyard Way, Suite E
Newport Beach, CA 92663

14. **Conflicting Terms**. The terms of this Addendum will supersede any conflicting terms of the Lease.

[Signatures on next page]

IN WITNESS THEREOF, the Landlord and the Tenant have executed this Addendum as of the date set forth above.

"Landlord"	"Tenant"
______________________________	_________________________________
By: __________________________ ______________________________	By:
Its: __________________________ ______________________________	Its:

EXHIBIT C

SOUTHERN CALIFORNIA REGIONAL ADVERTISING GROUP ADDENDUM

SOUTHERN CALIFORNIA ADDENDUM TO
RUBY'S FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT

THIS ADDENDUM TO RUBY'S DINER FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT ("Addendum") is attached to and made a part of that certain Franchise Agreement (the "Agreement") between **Ruby's Franchise Systems, Inc., a California corporation,** and ____, a ________________, dated _______, 20__. Capitalized terms not otherwise defined herein shall have the meaning given to such term in the Agreement.

1. Section 9.4 (Regional Advertising). Section 9.4 (including 9.4.1 through and including Section 9.4.2) of the Agreement is hereby deleted in its entirety and replaced with the following:

"9.4 SoCal Regional Advertising Group.

9.4.1 The Company has established a regional advertising program for the counties of Los Angeles, San Diego, Orange, Ventura, San Bernardino and Riverside (the "SoCal Regional Advertising Group"). Upon written notice by Company to Franchisee, the SoCal Regional Advertising Group shall be expanded to include any or all of the counties of Santa Barbara, Kern and/or Imperial. Notwithstanding the forgoing, the Company shall have the right at any time and from time to time to redefine (or suspend and thereafter reinstate) the SoCal Regional Advertising Group.

9.4.2 If and when the Restaurant is located within the SoCal Regional Advertising Group, Franchisee shall participate therein in accordance with the terms of this Section 9.4. Franchisee shall pay the Regional Marketing Contribution to Company for use in accordance with this Section 9.4.

9.4.3 Company shall control all aspects of the SoCal Regional Advertising Group, including the determination of cost, media, content, format, style, timing, allocation, and other matters relating to advertising, marketing, public relations, and promotional campaigns. Company shall cause the Regional Marketing Contribution to be administered and spent in accordance with this Section 9.4. Company may in whole or in part assign and/or delegate responsibility to operate, maintain and administer the Regional Marketing Contributions and may transfer the Regional Marketing Contributions to Ruby's Diner, Inc., an Affiliate of Company, another Affiliate of Company, or a separate business entity established for such purposes. The Regional Marketing Contributions may be deposited into a separate account, or administratively segregated on the books and records of the holder thereof. Nothing in this Agreement shall be deemed to create a trust fund, a fiduciary relationship or similar relationship, and the holder thereof may commingle Regional Marketing Contribution with its general operating funds. Franchisee acknowledges and agrees that Company has assigned and delegated responsibility to operate, maintain and administer the Regional Marketing Contributions and transferred the Regional Marketing Contributions to Ruby's Diner, Inc., and may in the future assign and/or delegate such responsibilities and funds to another Affiliate of Company or to a separate business entity established for such purposes. Franchisee consents to such assignments and delegations.

9.4.4 For each full-service Ruby's® Diner restaurant that Company or any of its Affiliates operates in the areas comprising the SoCal Regional Advertising Group as aforesaid, Company or such Affiliate will spend 1% of Gross Sales ("Company Regional Expenditures") for Regional Program Costs. If less than all Regional Marketing Contributions and/or Company Regional Expenditures are spent during any fiscal year, the difference may be accumulated for use during subsequent years. If Company or any of Company's Affiliates advance or spend funds in excess of the amounts required to be spend pursuant to this Section, such excess shall be treated as a loan and Company or the applicable Affiliate will be entitled to be repaid such amount, plus interest at the rate equal to the Company's or Affiliate's cost of funds. The determination of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

9.4.5 Regional Marketing Contributions may be spent (such expenditures being "Regional Program Costs") for regional or local advertising, public relations or promotional purposes designed to promote and enhance the image, identity or patronage of franchised, Company owned, and Company Affiliate-owned Ruby's® Diner restaurants in the SoCal Regional Advertising Group. Such advertising may have the effect of also promoting other ancillary concepts. Regional Program Costs may include, without limitation (a) expenditures to conduct marketing studies, and to produce and purchase advertising art, commercials, musical jingles, internet websites, intranet or extranet, print advertisements, point of sale materials, media advertising, outdoor advertising art, email or other electronic or other web-based marketing programs, and direct mail pamphlets and literature; (b) expenditures to retain an advertising or public relations agency; and (c) costs and expense (including attorneys' fees) to collect unpaid or delinquent Regional Marketing Contributions of other franchisees. Although the Company will attempt to allocate advertising expenditures fairly and in good faith, Company is not required to spend Regional Marketing Contributions so as to benefit any particular franchisee or group of franchisees on a pro-rata or proportional basis or otherwise. If Franchisee is not in default of this Agreement, Company may make copies of advertising materials available to Franchisee with or without additional reasonable charge, as determined by Company. Any additional advertising shall be at the sole cost and expense of Franchisee.

9.4.6 All references in the Agreement to "Regional Advertising Group" are hereby deemed to read "SoCal Regional Advertising Group."

2. Reinstatement of Section 9.4. If at any time, Company designates or redefines the SoCal Regional Advertising Group referred to in Section 1 of this Addendum such that the Restaurant is no longer within the SoCal Regional Advertising Group, then as of such time, Section 9.4 (including Sections 9.4.1 through and including Section 9.4.2) of the Agreement shall be reinstated.

3. Effect of Addendum. Except as expressly amended by this Addendum, the terms of the Agreement remain in full force and effect. In the event of any conflict or inconsistency between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date of execution of the Agreement.

"Company"

RUBY'S® FRANCHISE SYSTEMS, INC.

By: ______________________________
Its: ______________________________

"Franchisee"

____

By: ______________________________
Its: ______________________________

EXHIBIT D

ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

Date: ________________

I, the undersigned officer of ______________________ ("Franchisee"), hereby authorize Ruby's Franchise Systems, Inc. or any affiliated entity (collectively, "Franchisor") to withdraw or deposit funds, utilizing the following account, by ACH draft or electronic debit, for payment or receipt of funds relating to royalty fees, advertising fund contributions, technology access fees, payment of goods or services, or other amounts that become payable by the undersigned.

Name on the Account: ____

Address: ____

City, State, Zip: ____

Bank Routing Number: _______________________________________

Bank Account Number: ______________________________________

E-mail Confirmation: ____

Signature: ________________________________

Name: ___________________________________

Title: ____________________________________

EXHIBIT B.

MULTI-UNIT DEVELOPMENT AGREEMENT

MULTI-UNIT DEVELOPMENT AGREEMENT

between

RUBY’S FRANCHISE SYSTEMS, INC.

and

____

Dated: ___________________________________, 20________

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RUBY'S FRANCHISE SYSTEMS, INC. MULTI-UNIT DEVELOPMENT AGREEMENT

THIS **MULTI-UNIT DEVELOPMENT AGREEMENT** ("Agreement") is made and entered into this day of _________________, 20_____, (the "Effective Date") by and between **RUBY'S® FRANCHISE SYSTEMS, INC.**, a California corporation ("Company"), and _______________________________________ a ________________("Developer"), with reference to the following facts:

A. Company and/or Ruby's Diner, Inc, an Affiliate of Company ("RDI"), own, and Company has the right to sublicense, certain proprietary and other property rights and interests in and to the Ruby's® trademark and service mark, and such other trademarks, service marks, logo types, insignias, trade dress, designs, and commercial symbols as Company may from time to time authorize or direct Developer to use in connection with the development and operation of Developer's Restaurant(s) ("Marks").

B. Company and/or RDI have developed and continue to develop, and Company has the right to license and sublicense, systems for the operation of "Ruby's® Diner" restaurants (each a "Restaurant"), featuring a retro-modern décor. The Developer's Restaurant(s) will operate under a system featuring distinctive signs, recipes, and various Trade Secrets and other confidential information, architectural designs, trade dress, uniforms, equipment specifications, layout plans, operating systems and policies, inventory, record-keeping and marketing techniques established by Company (the "System").

C. Developer desires to open multiple Restaurants in a defined geographic area, and Company is willing to grant such right and license in accordance with the terms and upon the conditions contained in this Agreement.

NOW, THEREFORE, with respect to the foregoing recitals, and in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

ARTICLE 1

CERTAIN DEFINITIONS; GRANT

1.1 Certain Definitions. Unless otherwise defined herein or if the context otherwise requires, capitalized terms used in this Agreement shall have the meanings set forth in Appendix 1.

1.2 Grant. Upon the terms and subject to the conditions of this Agreement, Company hereby grants to Developer, and Developer hereby accepts, the right, during the term hereof, to develop Restaurants solely at Venues physically located within the Development Area, in accordance with this Agreement.

1.3 No Trademark License. No right or license is granted to Developer hereunder to use any trademarks, trade names, service marks, logotypes, insignias, trade dress or designs owned by Company, such right and license being granted solely pursuant to Franchise Agreements executed pursuant to Section 6.1 below. Without limiting the generality of the foregoing, nothing in this Agreement shall permit Developer to own or operate a Restaurant, except pursuant to a duly executed and subsisting Franchise Agreement.

ARTICLE 2

DEVELOPER'S DEVELOPMENT OBLIGATION

2.1 Development Obligation. Developer shall construct, equip, open and thereafter continue to operate at, and only at, Venues approved by Company within the Development Area, not less than the cumulative number of Restaurants within each Development Period specified in Exhibit "B" in accordance with the Development Obligation, provided that Developer may not open more Restaurants than the Total Development Obligation. Restaurants developed hereunder which are open and operating and which have been assigned to Affiliates of Developer in accordance with Section 8.4.3 with Company's consent, shall count in determining whether Developer has satisfied the Development Obligation for so long as the applicable Affiliate continues to satisfy the conditions set forth in Section 8.4.3.

2.2 Minimum Royalty Payment. Notwithstanding anything to the contrary contained in Section 2.1, Developer may, at its option, forestall any termination of this Agreement by Company caused by its failure to meet the Development Obligation by commencing payment of the Continuing Royalty due pursuant to the signed Franchise Agreement for such Restaurant; provided, however, if Developer shall have failed to satisfy the Development Obligation within 120 days after having commenced such payment of Continuing Royalty, then such failure shall constitute a material breach of this Agreement.

2.3 Force Majeure.

2.3.1 Subject to Developer's continuing compliance with the provisions of Section 2.3.2, should Developer be unable to meet the Development Obligation solely as the direct result of Force Majeure, or by force of law (including, but not limited to any legal disability of Company to deliver any Franchise Disclosure Document required by law to be delivered as contemplated by Section 6.1 of this Agreement), which results in the inability of Developer to construct or operate Restaurant(s) in all or substantially all of the Development Area, and which Developer could not by the exercise of due diligence have avoided, that particular Development Period shall be extended by an amount of time equal to the time period during which the Force Majeure (or other event covered under Section 2.3.1) shall have existed during that Development Period. Development Periods during which no such Force Majeure (or other event covered under Section 2.3.1) existed shall not be extended.

2.3.2 In the event of the occurrence of an event constituting Force Majeure, Developer shall notify Company in writing within 5 days following commencement of the alleged Force Majeure (or other event covered under Section 2.3.1) of the specific nature and extent of the Force Majeure (or other event covered under Section 2.3.1), and how it has impacted Developer's performance hereunder. Developer shall continue to provide Company with updates and all information as may be requested by Company, including Developer's progress and diligence in responding to and overcoming the Force Majeure (or other event covered under Section 2.3.1).

2.4 Developer May Not Exceed Total Development Obligation. Developer may not open more Restaurants than the Total Development Obligation without exercising the right of additional development in accordance with Sections 4.2, 4.3 and 4.4 of this Agreement.

ARTICLE 3

EXCLUSIVITY

3.1 Exclusivity.

3.1.1 During the Term of this Agreement, subject to Section 3.1.2, neither Company nor any Affiliate of Company shall operate or grant a license or franchise to any other person other than Developer (or, pursuant to Section 8.4.3, Developer's Assignee) to operate a Restaurant at any Venue physically located within the Development Area.

3.1.2 Except as provided in Section 3.1.1, this Agreement is nonexclusive. Company expressly reserves all other rights, including the exclusive unrestricted rights, directly and indirectly, through its employees, Affiliates, representatives, franchisees, licensees, assigns, agents and others, to own, operate and franchise or license others (which may include its Affiliates):

(a) to own or operate (i) Ruby's® Brand Restaurants, at any location outside the Development Area, (ii) Ruby's® Brand Restaurants at Non-Traditional Venues at any location within or outside the Development Area, and of any type or category whatsoever, regardless of proximity to the Restaurant(s) developed, to be developed or under consideration, pursuant hereto; and (iii) stores or restaurants operating under names not containing "Ruby's®," at any location within or outside the Development Area, and of any type or category whatsoever, regardless of proximity to the Restaurant(s) developed, to be developed or under consideration, pursuant hereto;

(b) to produce, license, distribute and market products under the Marks and under other trademarks, including pre-packaged food, snacks and beverage products; books; clothing; souvenirs and novelty items; through any outlet, including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the internet, mail order catalogs, direct mail advertising and other distribution methods within or outside the Development Area, regardless of its proximity to the Restaurant operated pursuant hereto; and

(c) to use the System or the Marks to advertise and promote the System, and to provide catering and delivery services within or outside the Development Area; including the operation of Ruby's® Diner Food Trucks in the Development Area at sites operated on a temporary basis.

ARTICLE 4

TERM AND RENEWAL

4.1 Term. The Term of this Agreement shall commence on the Effective Date and, unless sooner terminated in accordance with the provisions herein, or extended as provided in Section 4.2, shall continue until the earlier of (i) Fixed Date (as defined in Exhibit "B"), or (ii) the date of execution of the Franchise Agreement granting Developer the right to open the last Restaurant necessary for Developer to fully satisfy the Total Development Obligation ("Term").

4.2 Limited Additional Development Right. If Developer shall determine that it desires to engage in further development of the Development Area, Developer shall at the earlier of (i) one hundred eighty (180) days prior to the scheduled expiration of the Term or (ii) the date on which Preliminary Acceptance of the proposed site for the last Restaurant required to meet the Total Development Obligation is issued, notify Company in writing ("Additional Development Notice") of Developer's desire to develop additional Restaurants in the Development Area and a plan for such development over a five year term, setting forth the number of proposed Restaurants and the deadlines for the development of each of them. This right of additional development by Developer shall be exercised only in accordance with Section 4.3 and is subject to the conditions set forth in Section 4.4. This Agreement is not otherwise renewable.

4.3 Exercise of Right of Additional Development. If Company determines the additional development obligation proposed by the Additional Development Notice is unacceptable, Company and Developer shall negotiate during the following 60 days in an effort to reach a mutually agreeable additional development obligation. Each party may negotiate to protect its own interests as it deems appropriate in its sole judgment and discretion. If the additional development obligation proposed by the Additional Development Notice is acceptable to Company, or if Company and Developer reach agreement on an alternative additional development obligation (the "Additional Development Obligation"), Company will offer Developer its then-current form of multi-unit development agreement, which may vary substantially from this Agreement, setting forth the agreed upon Additional Development Obligation.

4.4 Conditions to Exercise of Right of Additional Development. Developer's right to additional development described in Section 4.2 shall be subject to Developer's fulfillment of the following conditions precedent:

4.4.1 Developer shall have performed all of its material obligations under this Agreement and shall not be in default of this Agreement and any other agreements between Company and Developer.

4.4.2 Developer shall have demonstrated to Company Developer's financial capacity to perform the Additional Development Obligations set forth in the new multi-unit development agreement. In determining if Developer is financially capable, Company will apply the same criteria to Developer as it applies to prospective developers at that time.

4.4.3 At the expiration of the Term, Developer shall continue to operate, in the Development Area, a number of Restaurants that is not less than the Total Development Obligation set forth in Exhibit "B".

4.4.4 Company and Developer shall have executed a new multi-unit development agreement pursuant to Section 4.3.

4.4.5 Developer shall, and Developer shall cause its Affiliates to, execute and deliver to Company a general release, on a form prescribed by Company of any and all known and unknown claims against Company and its Affiliates and their officers, directors, agents, shareholders and employees.

4.5 Effect of Expiration or Termination. Unless an Additional Development Obligation shall have been agreed upon, and a new multi-unit development agreement shall have been executed by the parties pursuant to Sections 4.2 and 4.3 hereof, following the expiration of the Term, or the sooner termination of this Agreement, (a) Developer shall have no further right to construct, equip, own, open or operate additional Restaurants which are not, at the time of such termination or expiration, the subject of a then existing Franchise Agreement between Developer (or a permitted assignee under Section 8.4.3) and Company which is in then in full force and effect, and (b) Company and its Affiliates may thereafter itself construct, equip, open, own or operate, and license others to construct, equip, open, own or operate Restaurants at any location (within or outside of the Development Area), without any restriction, subject to any territorial rights granted for any then existing Restaurant pursuant to a validly subsisting Franchise Agreement executed for such Restaurant.

ARTICLE 5

PAYMENTS BY DEVELOPER

5.1 Development Fee. Upon the execution of this Agreement, Developer shall pay Company in cash or by certified check the "Development Fee" specified in Exhibit "B". The Development Fee represents one-half of the aggregate Initial Fees required to be paid by Developer if Developer executes Franchise Agreements for the total number of Restaurants required to be developed hereunder. The Development Fee shall be deemed fully earned upon the execution hereof and shall not be refundable under any circumstances; provided that Company shall credit the Development Fee against the Initial Fee payable upon execution of each Franchise Agreement executed pursuant hereto at the rate of one-half of the applicable Initial Fee per Franchise Agreement until the entire Development Fee has been so credited.

5.2 Franchise Agreements for Each Restaurant. Notwithstanding the terms of the then-current form of Franchise Agreement, each Franchise Agreement executed during the Term pursuant to Section 6.1 for each Restaurant opened in the Development Area shall be modified if and as necessary to provide that the initial fee (the "Initial Fee") payable shall be an amount determined in accordance with the following chart:

Restaurant	Initial Fee
First Restaurant	$45,000
Second Restaurant	$40,000
Third and subsequent Restaurant	$35,000

ARTICLE 6

EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

6.1 Development of Restaurants. Company shall grant franchises to Developer to operate Restaurants located in the Development Area under the following conditions:

6.1.1 Developer must select a site and acquire the premises for each Restaurant in the Development Area in accordance with the terms and conditions of each Franchise Agreement. Without limiting the terms and conditions of each Franchise Agreement, the Franchise Agreement requires Developer to provide Company with information regarding the proposed site and obtain Company's written approval of the site for the Restaurant. Developer is solely responsible for the acquisition and development of sites.

6.1.2 Developer (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall have performed all of its obligations under and pursuant to all agreements between Developer (or any of said Affiliates) and Company.

6.1.3 If Developer or its Affiliates operates one or more Restaurants, Developer (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall be in compliance with all material standards, procedures and policies described in the Franchise Agreement(s) and Manuals for its Restaurants.

6.1.4 Developer must meet the standard financial capability criteria Company develops. Developer must furnish to Company financial statements and other information regarding Developer and the development and operation of the proposed Restaurant (including pro forma statements and investment and financing plans for the proposed Restaurant) as Company reasonably requires.

6.1.5 Developer must execute Company's then-current form of Franchise Agreement. Franchisee acknowledges that Company's then-current form of Franchise Agreement may be modified from time to time, and may contain materially different terms and conditions than Franchise Agreements previously executed by Developer hereunder.

6.1.6 Developer shall, and Developer shall cause its Affiliates to, execute and deliver to Company a general release, on a form prescribed by Company of any and all known and unknown claims against Company and its Affiliates and their officers, directors, agents, shareholders and employees.

6.2 Multi-Unit Manager. At all times during the Term, Developer shall designate an individual acceptable to Company who shall be the "Multi-Unit Manager," and who shall be principally responsible for communicating and coordinating with Company regarding business, operational and other ongoing matters concerning this Agreement and the Restaurants developed pursuant hereto. The Multi-Unit Manager shall have the full authority to act on behalf of Developer in regard to performing, administering or amending this Agreement and all Franchise Agreements executed pursuant hereto. Company may, but is not required to, deal exclusively with the Multi-Unit Manager in such regards unless and until Company's actual receipt of written notice from Developer of the appointment of a successor Multi-Unit Manager, who shall have been approved by Company.

ARTICLE 7

TRAINING

7.1 Developer Training. At no extra charge, Company shall provide to up to three (3) persons selected by Developer and acceptable to Company an initial developer orientation program to familiarize Developer with Company's System and methods of operation. Said initial orientation program shall be for a period of up to two (2) weeks of training, as Company in its reasonable judgment may determine, at one or more of the following locations: (i) Company's corporate headquarters, (ii) at a Company-owned or franchised Ruby's® Brand Restaurant, or (iii) at such place or places as may be designated by Company. In the case of a Developer which is a business entity, Company may require the trainees to include the Developer's Multi-Unit Manager, Owners, officers or representative selected by Developer and acceptable to, and approved by Company. Company will bear its costs of providing the initial orientation program concurrently to up to three (3) persons pursuant to this Section 7.1, including Company's staff salaries, materials, and all technical training tools. Developer shall pay all travel, living, compensation, and other expenses, if any, incurred by Developer and/or Developer's Owners and employees in connection with attendance at the program. Company shall pay no compensation for any services performed by trainee(s) in connection with such training programs.

7.2 Developer Orientation Program. The contents of the initial orientation program and manner of conducting such program shall be at Company's sole discretion and control, however, the training course will be structured to provide guidance regarding Company's site acceptance criteria for Restaurants in the Development Area and an overview of the topics which will be addressed in the initial training program that will be provided in connection with the first Restaurant opened by Developer.

ARTICLE 8

ASSIGNMENT

8.1 Assignment By Company. This Agreement is fully transferable by Company, in whole or in part, without the consent of Developer and shall inure to the benefit of any transferee or their legal successor to Company's interests herein; provided, however, that such transferee and successor shall expressly agree to assume Company's obligations under this Agreement. Without limiting the foregoing, Company may (i) assign any or all of its rights and obligations under this Agreement to an Affiliate; (ii) sell its assets, its Marks, or its System outright to a third party; (iii) engage in a public offering of its securities; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another corporation; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Company shall be permitted to perform such actions without liability or obligation to Developer who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof).

8.2 No Subfranchising by Developer. Developer shall not offer, sell, or negotiate the sale of Ruby's® Brand Restaurant franchises or licenses to any third party, either in Developer's own name or in the name and on behalf of Company, or otherwise subfranchise, sublicense, subcontract, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Developer the right to do so.

8.3 Assignment by Developer.

8.3.1 This Agreement has been entered into by Company in reliance upon and in consideration of the singular individual or collective character, reputation, skill, attitude, business ability, and financial capacity of Developer or, if applicable, its Owners who will actively and substantially participate in the development, ownership and operation of the Restaurants. Therefore, neither Developer's interest in this Agreement nor any of its rights or privileges shall be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (an "Assignment"), without the prior written consent of Company (which it may grant or withhold in its sole and absolute discretion).

8.3.2 Each of the following shall be deemed to be an Assignment of this Agreement: (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of 25% or more in the aggregate, whether in one or more transactions, of the equity or voting power of Developer, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Developer; (ii) the issuance of any securities by Developer which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, owning 75% or less of the outstanding equity or voting power of Developer; (iii) if Developer is a partnership, the withdrawal, death or legal incapacity of any general partner or of any limited partner owning 25% or more of the partnership rights of the partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its partnership rights in the partnership, or any change in the ownership or control of any general partner; (iv) the death or legal incapacity of any Owner owning 25% or more of the equity or voting power of Developer; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Developer, however effected.

8.3.3 Developer shall promptly provide Company with written notice (stating such information as Company may from time to time require) of each and every Assignment. Company may impose conditions to any proposed Assignment, including the following:

(a) Franchisee (or any of Franchisee's Affiliates) is in complete compliance with the terms of this Agreement and all other agreements between Franchisee (or any of Franchisee's affiliates) and Company or any Affiliate;

(b) The proposed transferee must be approved by Company as meeting Company's then-current standards for new Ruby's® Diner developers;

(c) The proposed transferee has completed Company's training program as required;

(d) Franchisee pays Company a transfer fee equal to $10,000;

(e) Franchisee and each of its Owners sign a general release, in form and substance satisfactory to Company, of any and all claims against Company and Company's Affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law.

8.3.4 Developer shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written permission of Company, which permission may be withheld for any reason whatsoever in Company's sole subjective judgment.

8.3.5 If Developer shall desire to engage in an Assignment, Developer shall provide Company not less than 60 days prior written notice of such Assignment, which notice shall grant Company the right and option, exercisable within 30 days after receipt of such written notification, to send written notice to Developer or such person that Company or its third-party designee, intends to purchase the interest which is proposed to be transferred at the same cash price offered by any bona fide buyer (the proposed buyer may not offer non-cash consideration but may include a promissory note). If Company waives its right of first refusal, any material change in the terms of an offer prior to closing (or if the closing does not occur within 120 days of the written notice provided by Developer) shall cause it to be deemed a new offer, subject to the right of first refusal by Company, or its third-party designee, as in the case of the initial offer. Company's failure to exercise such option shall not constitute a waiver of any other provision of this Agreement.

8.3.6 Securities, partnership or other ownership interests in Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Company, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to Company for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Company for such review prior to their use. No such offering by Developer shall imply that Company is participating in an underwriting, issuance or offering of securities of Developer or Company, and Company's review of any offering materials shall be limited solely to the subject of the relationship between Developer and Company and its affiliates. Company may, at its option, require Developer's offering materials to contain a written statement prescribed by Company concerning the limitations described in the preceding sentence. Developer, its Owners and the other participants in the offering must fully defend and indemnify Company, and its affiliates, their respective partners and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering. For each proposed offering, Developer shall pay to Company an amount as is necessary to reimburse Company for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Developer shall give Company written notice at least 30 days prior to the date of commencement of any offering or other transaction covered by this Section 8.3.6 and shall not commence such offering or other transaction until Developer has received the written consent referred to above. Any private placement of securities conducted by or on behalf of Developer, if permitted by Company, shall contain such disclaimers, risk factors or other statements prescribed by Company, including the following in bold type on the first textual page:

"Neither Ruby's Franchise Systems, Inc. ("Ruby's"), the franchisor of Ruby's® Brand Restaurants, nor any of its Affiliates are participating, or have at any time participated, in any manner whatsoever in this offering or any activities related to the offering, including the investigation, preparation, formulation, analysis or presentation of any of the statements or financial information contained in this offering. Neither Ruby's nor its Affiliates are participating, or any time have participated, directly or indirectly, in any manner whatsoever in any activity related to any offer, solicitation, sales, underwriting, or issuance of any securities contemplated by this offering or any investment opportunity described herein. Neither Ruby's nor its Affiliates will receive any of the proceeds from any securities offering in connection with this Offering except for the fees it requires under the Multi-Unit Development Agreement and proposed franchise agreements. No stock or other securities of Ruby's are being offered by this offering."

8.4 Individual Franchise Agreements.

8.4.1 Developer shall not execute any Franchise Agreement, or construct or equip any Restaurant with the intent of transferring or assigning such Franchise Agreement or Restaurant. During the Term, this Agreement may not be transferred or assigned without a simultaneous assignment to the same assignee of all Franchise Agreements executed pursuant hereto.

8.4.2 Each Franchise Agreement executed pursuant hereto shall provide, in addition to all other then current conditions to assignment, that it may not be transferred or assigned without a simultaneous assignment to the same assignee of all then existing Franchise Agreements executed pursuant hereto (and all of the assets of the Restaurants developed and under development pursuant thereto), and if this Agreement (or any successor multi-unit development agreement(s) executed for the Development Area, in whole or in part) is then in effect, without a simultaneous assignment to the same assignee of this Agreement (or such successor agreement).

8.4.3 Notwithstanding Sections 8.4.1 and 8.4.2, and without limiting the generality of Section 8.3.1, Developer may, with Company's prior written consent, execute and contemporaneously assign a Franchise Agreement executed pursuant hereto to a separate business entity; provided and on condition that: (i) Developer owns and controls not less than 51% of the equity and voting rights of such business entity on the date of execution of such Franchise Agreement and at all times thereafter; (ii) the Multi-Unit Manager oversees the operations of such business entity; (iii) such business entity conducts no business other than the operation of the Restaurant; (iv) each person or business entity comprising Developer, and all other existing and future Owners of 10% or more (directly or indirectly), in the aggregate, of the equity or voting rights of any franchisee under any and all Franchise Agreements executed pursuant to this Agreement shall execute a written guaranty in a form prescribed by Company, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of all of the obligations to Company and to Company's affiliates under this Agreement and each Franchise Agreement executed pursuant hereto; and (v) none of the Owners of the equity of the franchisee under the applicable Franchise Agreement are, directly or indirectly, engaged in Competitive Activities.

ARTICLE 9

ADDITIONAL COVENANTS OF DEVELOPER

9.1 Intranet. If Developer shall breach this Agreement or any other agreement with Company or its Affiliates, Company may, in addition to, and without limiting any other rights and remedies available to Company, disable or terminate Developer's access to the Intranet without Company having any liability to Developer.

9.2 Control of Developer. Developer expressly represents, warrants and covenants as follows:

9.2.1 If Developer is a business entity, Developer's equity is not publicly traded, and Developer's articles of incorporation or articles of organization (or similar instrument) shall restrict Developer's business to developing, owning and operating Restaurants.

9.2.2 The Multi-Unit Manager shall own and control not less than ten percent (10%) of the equity and voting rights of Developer and otherwise satisfy Company's requirements.

9.2.3 Developer represents and warrants that the information set forth in Exhibit "C", which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Developer shall notify Company in writing within 10 days of any change in the information set forth in Exhibit "C", and shall submit to Company a revised Exhibit "C", certified by Developer as true, correct and complete and upon acceptance thereof by Company shall be annexed to this Agreement as Exhibit "C". Developer promptly shall provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Developer.

9.2.4 If Developer is a business entity, Developer shall cause to be printed on each certificate or other document of ownership of Developer a legend referencing the restrictions contained herein, which will read substantially as follows:

"The transfer or assignment of this [certificate] [securities represented by this document] is subject to the terms and conditions of a Multi-Unit Development Agreement with RUBY'S FRANCHISE SYSTEMS, INC. dated as of _______________, 20_____. Reference is made to such Agreement and to the restrictive provisions contained in this company's articles [of organization] [of incorporation]."

9.3 Business Practices. Developer represents, warrants and covenants to Company that:

9.3.1 As of the date of this Agreement, Developer and each of its Owners shall be and, during the Term shall remain, in full compliance with all applicable laws in each jurisdiction in which Developer or any of its Owners, as applicable, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities, including the following prohibitions:

(a) No government official, official of an international organization, political party or official thereof, or candidate is an owner or has any investment interest in the revenues or profit of Developer;

(b) None of the property or interests of Developer or any of its owners is subject to being "blocked" under any Anti-Terrorism Laws. Neither Developer, nor any of its respective funding sources (including any legal or beneficial owner of any equity in Developer) or any of its Affiliates is or has ever been a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Laws or identified by name or address on any Terrorist List. Each of Developer and its owners are in compliance with applicable law, including all such Anti- Terrorism Laws;

(c) Neither Developer nor any of its owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended, and any amendments or successors thereto; and

(d) Developer is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Developer or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo.

9.3.2 Developer has taken all necessary and proper action required by the laws of United States and the state in which the Development Area is located and has the right to execute this Agreement and perform all of its terms.

9.3.3 Developer shall implement procedures to confirm, and shall confirm, that (a) none of Developer, any person or entity that is at any time a legal or beneficial owner of any interest in Developer or that provides funding to Developer is identified by name or address on any Terrorist List or is an Affiliate of any person so identified; and (b) none of the property or interests of Developer is subject to being "blocked" under any Anti-Terrorism Laws.

9.3.4 Developer shall promptly notify Company upon becoming aware of any violation of this Section or of information to the effect that any person or entity whose status is subject to confirmation pursuant to clause c above is identified on any Terrorist List, any list maintained by OFAC or to being "blocked" under any Anti-Terrorism Laws, in which event Developer shall cooperate with Company in an appropriate resolution of such matter.

9.3.5 In accordance with applicable law (which includes the law of the United States of America), none of Developer nor any of its Affiliates, principals, partners, officers, directors, managers, employees, agents or any other persons working on their behalf, shall offer, pay, give, promise to pay or give, or authorize the payment or gift of money or anything of value to any officer or employee of, or any person or entity acting in an official capacity on behalf of, the governmental authority, or any political party or official thereof or while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to any official, for the purpose of (a) influencing any action or decision of such official in his or its official capacity; (b) inducing such official to do or omit to do any act in violation of his or its lawful duty; or (c) inducing such official to use his or its influence with any governmental authority to affect or influence any act or decision of such governmental authority in order to obtain certain business for or with, or direct business to, any person. Neither Developer nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act ("Patriot Act") and any amendments or successors thereto.

ARTICLE 10

CONFIDENTIALITY; NON-COMPETITION; NON-SOLICITATION

10.1 Confidentiality.

10.1.1 Company possesses and continues to develop, and during the course of the relationship established hereunder, Developer, and each of its Owners and Affiliates, and the respective officers, directors, managers, partners and Affiliates of each of them, and the spouse of the foregoing persons who are individuals (collectively, "Restricted Persons") may have access to, proprietary and confidential information, including specifications, plans, procedures, concepts and methods and techniques of developing and operating Restaurant(s) (the "Trade Secrets"). Company may disclose certain of its Trade Secrets to Restricted Persons in the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, and through the Company's training program and other guidance and management assistance, and in performing Company's other obligations and exercising Company's rights under this Agreement. "Trade Secrets" shall not include information which: (a) has entered the public domain or was known to Developer prior to Company's disclosure of such information to Developer, other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its Affiliates; (b) becomes known to the Restricted Persons from a source other than Company or its Affiliates and other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its Affiliates; or (c) was independently developed by Developer without the use or benefit of any of the Company's Trade Secrets. The burden of proving the applicability of the foregoing exclusions will reside with Developer.

10.1.2 Each Restricted Person shall acquire no interest in the Trade Secrets other than the right to use them in developing Restaurants pursuant to this Agreement. A Restricted Person's duplication or use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition. Each Restricted Person shall: (i) not use the Trade Secrets in any business or other endeavor other than in connection with the Restaurants developed hereunder; (ii) maintain absolute confidentiality of the Trade Secrets during and after the Term of this Agreement; and (iii) make no unauthorized copy of any portion of the Trade Secrets, including without limitation, the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral. Developer shall operate and implement all reasonable procedures prescribed from time to time by Company to prevent unauthorized use and disclosure of the Trade Secrets, including, implementing restrictions and limitations as Company may prescribe on disclosure to employees and use of non-disclosure and non-competition provisions in employment agreements with employees who may have access to the Trade Secrets. Promptly upon Company's request, Developer shall deliver executed copies of such agreements to Company.

10.1.3 In the event any portion of the above covenants violates laws affecting Developer or any other Restricted Person, or is held invalid or unenforceable in a final judgment to which Company and Developer are parties, then the maximum legally allowable restriction permitted by law shall control and bind Developer. Company may at any time unilaterally reduce the scope of any part of the above covenants, and Developer shall comply with any such reduced covenant upon receipt of written notice. The provisions of this Section 10.1 shall be in addition to and not in lieu of any other confidentiality obligation of Developer, or any other person, whether pursuant to another agreement, or pursuant to applicable law.

10.2 Non-Competition. Developer acknowledges that the System is distinctive and has been developed by Company at great effort, time, and expense, and that Developer has regular and continuing access to valuable and confidential information, training, and Trade Secrets regarding the System.

Developer recognizes its obligations to keep confidential such information as set forth herein. Developer therefore agrees as follows:

10.2.1 In Term. During the Term, no Restricted Person shall in any capacity, either directly or indirectly, through one or more Affiliates, engage in any Competitive Activities at any location, whether within or outside the Development Area, unless Company shall consent thereto in writing.

10.2.2 Post-Term. To the extent permitted by applicable law, upon the expiration or termination of this Agreement, or if there shall occur any Assignment, or if any Restricted Person's relationship with Developer shall cease, then for a period of one (1) year thereafter, each person who was a Restricted Person before that event shall not in any capacity, either directly or indirectly, through one or more Affiliates, engage in any Competitive Activities, (i) within the Development Area, or (ii) within an area within ten (10) miles from the location of any then existing Ruby's® Brand Restaurant, without the Company's prior written consent.

10.3 Non-solicitation. During the Term of this Agreement and for one (1) year following the expiration or termination and each Assignment, Developer shall not, without the prior written consent of Company, directly or indirectly: (a) induce or attempt to induce any current employee of Company, an Affiliate of Company or any other franchisee or area developer of Company to leave his or her employment; (b) employ or attempt to employ any person who within six (6) months prior thereto had been employed by Company, an Affiliate of Company, or any other franchisee or multi-unit developer of Company.

10.1 Modification. The parties have attempted in Sections 10.2 and 10.3 above to limit the Developer's right to compete only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if the scope or enforceability of Section 10.2 or Section 10.3 is disputed at any time by Developer, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under applicable law. In addition, the Company reserves the right to reduce the scope of either, or both, of said provisions without Developer's consent, at any time or times, effective immediately upon notice to Developer.

ARTICLE 11

TERMINATION

11.1 Termination Pursuant to a Material Breach of this Agreement. Subject to applicable law to the contrary, this Agreement may be terminated by Company in the event of any material breach by Developer of this Agreement, unless such default is cured by Developer within thirty (30) days following written notice of the default. Notwithstanding the foregoing, Developer shall be deemed to be in material breach and Company may, at its option terminate this Agreement, effective immediately, without any opportunity to cure:

(a) Any attempt by Developer to engage in an Assignment, in whole or in part, of any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement; provided, however, (1) upon prompt written request and upon the death or legal incapacity of a Developer who is an individual, Company shall allow a period of up to 60 days after such death or legal incapacity for his or her heirs, personal representatives, or conservators (the "Heirs") to seek and obtain Company's consent to the Assignment his or her rights and interests in this Agreement to the Heirs or to another person acceptable to Company; or (ii) upon prompt written request and upon the death or legal incapacity of an Owner of a Developer which is a business entity, directly or indirectly, owning 25% or more of the equity or voting power of Developer, Company shall allow a period of up to sixty (60) days after such death or legal incapacity for his or her Heirs to seek and obtain Company's consent to the Assignment of such equity to the Heirs or to another person or persons acceptable to Company. If, within said sixty (60) day period, said Heirs fail to receive Company's consent as aforesaid or to effect such consented to Assignment, then this Agreement shall immediately terminate upon notice to Developer;

(b) The conviction of Developer or its Owners in a court of competent jurisdiction of any criminal offense directly related to the business conducted at the Restaurants, or any of them;

(c) The filing by Developer of any petition or action in bankruptcy or insolvency, or for appointment of a receiver or trustee, or an assignment by Developer for the benefit of creditors, or the failure to vacate or dismiss within 60 days after filing any such proceedings commenced against Developer by a third party;

(d) The attachment of any involuntary lien in the sum of $10,000.00 or more upon any of the business assets or property of Developer which lien is not removed, or for which Developer does not post bond sufficient to satisfy such lien, within 30 days after Developer's receipt of written notice of such lien;

(e) Except as provided in Section 2.2, failure of Developer to meet each Development Obligation within the applicable Development Period set forth herein; and

(f) Any violation of Article 10.

11.2 Termination by Reason of a Material Breach of Other Agreement. This Agreement may be terminated, at the election of Company, in the event of any material breach by Developer (or any of its Affiliates) of an individual Franchise Agreement or any other agreement between Company and Developer (or any of its Affiliates), upon the notice, and subject to the right to cure, if any, specified in the applicable Franchise Agreement or other agreement.

ARTICLE 12

GENERAL CONDITIONS AND PROVISIONS

12.1 Relationship of Developer to Company. Company and Developer are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. Developer must conspicuously identify itself at the premises of the Restaurants and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of the Restaurants under a franchise agreement from Company, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as Company requires. All employees hired by or working for Developer shall be the employees of Developer and shall not, for any purpose, be deemed employees of Company or subject to Company control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

12.2 Indemnity. Developer agrees to indemnify, defend and hold Company and its parents, subsidiaries, Affiliates, stockholders, members, directors, officers, employees, agents and assignees harmless against, and to reimburse Company or them for, any loss, liability or damages arising out of or relating to Developer's development, ownership or operation of the Restaurants, and all reasonable costs of defending any claim brought against Company or any of them or any action in which Company or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to Company's breach of this Agreement, gross negligence or willful misconduct. Developer must pay all losses, liability or damages Company incurs pursuant to Developer's obligations of indemnity under this Section regardless of any settlement, actions or defense Company undertakes or the subsequent success or failure of any settlement, actions or defense. Further, Developer agrees to give Company immediate notice of any such action, proceeding, demand or investigation brought against Developer or the Restaurant. Company may, at its option, designate counsel, at Developer's expense, to defend or settle such action, proceeding, demand or investigation brought against Developer or the Restaurant. This obligation does not diminish Developer's indemnification obligations under this Section.

12.3 No Consequential Damages. Company shall not be liable to Developer for any consequential damages, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Developer.

12.4 Waiver and Delay. No waiver by Company of any breach or series of breaches or defaults in performance by Developer, and no failure, refusal or neglect of Company to exercise any right, power or option given to it hereunder or under any other Franchise Agreement between Company and Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants) or to insist upon strict compliance with or performance of Developer's obligations under this Agreement or any other Franchise Agreement between Company and Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Company of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

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

12.6 Successors and Assigns; Benefit. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Company and shall be binding upon and inure to the benefit of Developer and his or their respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against Assignment contained herein.

12.7 Joint and Several Liability. If Developer consists of more than one person or business entity, or a combination thereof, the obligations and liabilities of each such person or entity to Company are joint and several, and such person(s) or Business Entities shall be deemed to be a general partnership.

12.8 Governing Law. This Agreement shall be construed in accordance with the laws of the State of Delaware, without giving effect to any conflict of laws, excepting however the provisions of Section 10.2 (and to the extent applicable to Section 10.2, Section 10.4) respecting Non-Competition Covenants. Section 10.2 (and to the extent applicable to Section 10.2, Section 10.4) shall be construed and enforced in accordance with the laws of the State where the breach of said Section occurs.

THE PARTIES AGREE THAT, EXCEPT TO THE EXTENT PROHIBITED BY LAW, ORANGE COUNTY, CALIFORNIA SHALL BE THE VENUE FOR ANY ARBITRATION AND LITIGATION ARISING UNDER THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT.

12.9 Entire Agreement. This Agreement and the Exhibits incorporated herein contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof. No other agreements concerning the subject matter hereof, written or oral, shall be deemed to exist or to bind any of the parties hereto and all prior agreements, understandings and representations, are merged herein and superseded hereby. Except as set forth in the Franchise Disclosure Document, Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained herein. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or any Franchise Disclosure Document for prospective franchisees required by applicable law, and Developer agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto. Nothing in this or in any related agreement, however, is intended to disclaim the representations made by Company in its franchise disclosure document that Company furnished to Developer.

12.10 Titles for Convenience. Article and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

12.11 Gender and Construction. The terms of all Exhibits hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or Section hereof may require. As used in this Agreement, the words “include,” “includes” or “including” are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, acceptance, approval or authorization of Company which Developer may be required to obtain hereunder may be given or withheld by Company in its sole discretion, and on any occasion where Company is required or permitted hereunder to make any judgment or determination or use its discretion, including any decision as to whether any condition or circumstance meets Company’s System Standards or satisfaction, Company may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. Company and Developer intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

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

12.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

12.14 Fees and Expenses. Should any party hereto commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision hereof, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

12.15 Notices. Except as otherwise expressly provided herein, all notices, submissions and reports required or permitted to be given pursuant to this Agreement shall be in writing, and shall be delivered by United States Mail by Registered Mail, Return Receipt Requested, postage prepaid and addressed to each of the parties at their respective addresses as they appear below. Notices shall be deemed received upon the earlier of the date of delivery shown on the return receipt, or the forth day after the date of mailing.

If to Company: Ruby's Franchise System, Inc.
201 Shipyard Way, Suite E
Newport Beach CA 92663
Attn: **[___________________]**

and

If to Developer: As indicated in Exhibit "C".

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties.

ARTICLE 13

DISPUTE RESOLUTION:

ARBITRATION AND LEGAL PROCEEDINGS

13.1 General. Except as provided in Section 13.2 and except as precluded by applicable law, any controversy or claim between Company and Developer arising out of or relating to this Agreement or any alleged breach hereof, including any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration conducted before and in accordance with the Commercial Rules of the American Arbitration Association ("AAA"), by three arbitrators selected by Company and Developer. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by applicable law, (a) the proceedings shall be held in Orange County, California; (b) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Developer and Company, and not in any representative capacity, and shall not be consolidated with claims asserted by or against any other licensee or franchisee, and (c) arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. In no event may the material provisions of this Agreement including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 12.8 above. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties. A judgment confirming the award may be given by any California court having jurisdiction, or that court may vacate, modify, or correct the award in accordance with the prevailing provisions of the California statute governing arbitration. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed.

13.2 Exceptions to Arbitration. The arbitration provision in Section 13.1 shall not apply to any action for injunctive or other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Company deems to be necessary or appropriate to compel Developer to comply with Developer's obligations to the Company and/or to protect the Marks of the Company. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to arbitration.

13.3 Survival. The terms of this Article shall survive termination, expiration or cancellation of this Agreement.

ARTICLE 14

SUBMISSION OF AGREEMENT

14.1 General. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Developer. THIS AGREEMENT SHALL NOT BE BINDING ON COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF COMPANY.

ARTICLE 15

ACKNOWLEDGMENT

15.1 General. Developer, and its Owners, as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

Company:
Ruby's Franchise Systems, Inc. a California corporation

By: ___________________________________

Its: ___________________________________

Developer: _______________________________

By: ___________________________________

Its: ___________________________________

APPENDIX 1
DEFINITIONS

In this Agreement, the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

"Affiliate" when used herein in connection with Company or Developer, includes each person or business entity, which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Company or Developer, as applicable. Without limiting the foregoing, the term "Affiliate" when used herein in connection with Developer includes any business entity 25% or more of whose equity or voting control, is held by person(s) or Business Entities who, jointly or severally, hold 25% or more of the equity or voting control of Developer. For purposes of this definition, control of a person or business entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or business entity whether by contract or otherwise. Notwithstanding the foregoing definition, if Company or its Affiliate has any ownership interest in Developer, the term "Affiliate" shall not include or refer to the Company or that Affiliate (the "Company Affiliate"), and no obligation or restriction upon an "Affiliate" of Developer, shall bind Company, or said Company Affiliate or their respective officers, directors, or managers.

"Competitive Activities" means to, own, operate, lend to, advise, be employed by, or have any financial interest in any business that is the same or similar to a Ruby's® Brand Restaurant, including, but not limited to, food trucks and full service or fast-casual restaurants and other food service business which primarily features hamburgers, shakes or malts using a 1940's/1950's malt shop/diner design, or a Mid-Century Modern and Southern California "Googie" inspired design and architecture reminiscent of diners, malt shops, and grills of the 1960's.

"Development Area" shall mean the geographic area or other defined market designated in Exhibit "A" hereto.

"Development Period" shall mean each of the time periods indicated on Exhibit "B" during which Developer shall have the right and obligation to construct, equip, open and thereafter continue to operate Restaurants in accordance with the Development Obligation.

"Development Obligation" shall mean the Developer's right and obligation to construct, equip, open and thereafter continue to operate at sites within the Development Area the cumulative number of Restaurants set forth in Exhibit "B" hereto within each Development Period and, if applicable, within the geographic areas specified therein.

"Distribution" means and includes, but is not limited to, gifts, bonuses, salaries, benefits or other compensation, dividends of any nature, loans, cancellation of debt, purchases or sales, or similar transfers.

"Food Court" shall mean a common area within a shopping mall, lifestyle center, outlet mall or similar retail shopping complex, that is contiguous with the counters of multiple food vendors and provides a common area for self-serve dining.

"Force Majeure" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, riot, terrorism, or other civil disturbance; epidemics; or other forces which Developer could not by the exercise of due diligence have avoided; provided however, that neither an act or failure to act by a governmental authority, nor the performance, non-performance or exercise of rights under any agreement with Developer by any lender, landlord, or other person (other than Company) shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. For the avoidance of doubt, Developer's financial inability to perform or Developer's insolvency shall not be an event of Force Majeure hereunder.

"Franchise Agreement" means the form of agreement prescribed by Company and used to grant to Developer the right to own and operate a single Restaurant in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

"Manuals" means Company's operations manuals, and all related manuals now or hereafter created by Company for use in the operation of a Ruby's® Brand Restaurant, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary manuals.

"Non-Traditional Venue" means airports, toll roads, supermarkets, public or private schools, colleges, universities, hospitals, cruise-ships, stadiums, convention centers, military and other governmental facilities, office or in-plant food facilities, supermarkets, grocery stores or convenience stores, or a site, venue or location within another primary business or in conjunction with other businesses or at institutional settings, and any other site, venue or location operated by a master concessionaire or contract food service provider, and any road, parking lot or other location at which a food truck (including a Ruby's® Diner Food Truck) is permitted by law to operate. The term "Non-Traditional Venue" expressly excludes Food Courts, except if the lessor, owner or operator ("Site Owner") of such Food Court shall have established operator qualification requirements, or other conditions, which Company knows or reasonably believes Developer does not satisfy and which would not be waived or modified by the Site Owner to allow Developer to execute a Franchise Agreement for such site.

"Owner" means (i) any direct or indirect shareholder, member, Partner, trustee, or other equity owner of a business entity; and (ii) and any person that owns or controls more than 5% of the voting rights of a business entity; except that if Company or any Affiliate of Company has any ownership or voting interest in Developer, the term "Owner" shall not include or refer to the Company or that Affiliate, and no obligation or restriction upon the "Developer," or its Owners shall bind Company, or said Affiliate or their respective officers, directors, or managers.

"Ruby's® Brand Restaurant" means any restaurant operated under a service mark that includes "Ruby's®" that is owned or operated by or under license from Company or its Affiliates, including a full service Ruby's® Diner restaurant, fast casual Ruby's® Diner restaurant, fast casual Ruby's Diner – Food Court, and Ruby's® Diner Food Truck.

"Ruby's® Diner Food Truck" means a mobile Ruby's® Diner food truck which utilizes aspects of the System and certain Marks and serves certain menu items approved for sale from time to time by Company in various temporary non-fixed locations.

"Term" shall have the meaning set forth in Section 4.1 including any extensions thereof.

"Terrorist Lists" means all lists of known or suspected terrorists or terrorist organizations published by any U.S. Government Authority, including U.S. Treasury Department's Office of Foreign Asset Control ("OFAC"), that administers and enforces economic and trade sanctions, including against targeted non-U.S. countries, terrorism sponsoring organizations and international narcotics traffickers.

"Total Development Obligation" means the aggregate total of the number of Restaurants required to be developed hereunder, as particularly identified in Exhibit "B".

“Travel Expenses” means costs and expenses incurred by or assessed in connection with travel, including airfare, hotel/lodging, local transportation, meals, and, with regard to Company’s employees’, agents’ and/or representatives’ expenses, a per diem charge determined by Company in advance, with respect to other incidental expenses incurred, including, without limitation, laundry and/or telephone expenses.

“Venue” means any site, venue or location other than a Non-Traditional Venue.

EXHIBIT "A"
DEVELOPMENT AREA

The Development Area excludes the following locations and geographic areas where there are currently existing Ruby's® Brand Restaurants: **[INSERT DESCRIPTIONS OF TERRITORY ASSIGNED IN ALL PRE-EXISTING FRANCHISE AGREEMENTS LOCATED WITHIN THE DEVELOPMENT AREA]**

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

EXHIBIT "B"
DEVELOPMENT OBLIGATIONS

Development	Cumulative	Period Ending	No. of Restaurants to be in Operation
1			
2			
3			
4			
5			

Total Development Obligation: ____________________________.

Development Fee: $ ______________________________________.

"Fixed Date" means the ___________________ anniversary of the Effective Date.

EXHIBIT “C”
DEVELOPER INFORMATION

Developer is a (check as applicable):

[ ] corporation
[ ] limited partnership
[ ] limited liability company
[ ] general partnership
[ ] Other (specify): ________________________

The name and address of each Owner of Developer is:

NUMBER OF SHARES OR PERCENTAGE	NAME	ADDRESS	INTEREST

There is set forth below the name and address of each director, member, or general partner, as applicable, of Developer:

NAME	ADDRESS

There is set forth below the names, and addresses and titles of Developer’s principal officers or partners who will be devoting their full time to the Restaurants:

NAME	ADDRESS

Developer's notice address and the location where Developer's Financial Records, and business entity records (e.g. Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

Developer represents and warrants to Company that the following person, and only the following person, is Developer's Multi-Unit Manager:

<u>NAME</u> <u>ADDRESS</u>

EXHIBIT C.

CONFIDENTIALITY AGREEMENT

RUBY'S FRANCHISE SYSTEMS, INC.
FRANCHISEE CONFIDENTIALITY AGREEMENT

This FRANCHISEE CONFIDENTIALITY AGREEMENT ("Agreement") is made and entered into by and between Ruby's Franchise Systems, Inc., a California corporation ("Company"), and _________________________, a ________________________ ("Franchisee"), with reference to the following facts:

A. Company is involved in the restaurant industry. In the course of developing its business and goodwill, Company and its affiliates have developed techniques and other information that Company uses in the management, strategic planning and day-to-day operations of its business. This information, and all other information concerning the operation of Company's business, is and always has been kept confidential by Company, and is and always has been a trade secret of Company. By this Agreement, Company desires to maintain and preserve the confidentiality of its trade secrets and other confidential information regarding its business from any unauthorized disclosures by Franchisee or its officers, directors, employees, attorneys, agents, professional advisors and independent contractors and any person, corporation, partnership or other entity which, directly or indirectly, controls, is controlled by, or is under common control with Franchisee (collectively the "Franchisee Parties").

B. Franchisee is or is about to become a franchisee of Company. The purpose of Franchisee's relationship with Company is to operate a business using Company's system. In order to enable Franchisee to operate such business, Company may disclose or authorize the disclosure of confidential information to the Franchisee Parties.

NOW, THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged and intending to be legally bound hereby, the parties agree as follows:

1. The term "Trade Secrets" as used herein shall include, but not be limited to, all drawings, designs, patterns, devices, methods, techniques, compilations, processes, product specifications, future plans, discounts, manufacturing costs, financial information (including sales, cost and pricing information), computer programs, formulas, analytical tools, and equations; recipes and cooking procedures; the names, buying habits, contracts or practices of any of Company's or Company's affiliates' vendors or suppliers; costs of materials, the cost to Company or Company's affiliates for providing services and the prices for such services; marketing and advertising budgets, plans, and campaigns; customer information; written business records, documents, specifications, plans, and compilations of information concerning Company's business, sales representatives or employees of Company or its affiliates; and/or the requirements of customers of Company, its affiliates or of Franchisee or other franchisees, such as business cards, reports, correspondence, internal forms, sales records, account lists, customer lists, price lists, budgets, sales data, indexes, invoices, telephone records, policies and procedures manuals, training manuals, or any other material relating in any manner whatsoever to the customers, sales representatives or employees (including the salary and/or bonus plans of employees) of Company or its affiliates; and all other confidential information and trade secrets concerning Company's system or business. Notwithstanding the foregoing, Trade Secrets shall not include information which: (a) has entered the public domain or was known to Franchisee prior to Company's disclosure of such information to Franchisee, other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its affiliates; (b) becomes known to Franchisee from a source other than Company or its affiliates and other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its affiliates; or (c) was independently developed by Franchisee without the use or benefit of any of Company's Trade Secrets. The burden of proving the applicability of the foregoing will reside with Franchisee.

If it is at any time determined that any of the information identified above is, in whole or in part, not entitled to protection as a trade secret, it shall nevertheless be considered and treated as confidential information that is protected by this Agreement to the maximum extent permitted by law. Franchisee understands and acknowledges that all such Trade Secrets or other confidential information, or any copy, extract or summary thereof, whether originated or prepared by or for Franchisee or otherwise coming into Franchisee's knowledge or possession, is and shall remain the exclusive property of Company.

2. Franchisee acknowledges that the Franchisee Parties have or may in the future receive, develop, otherwise acquire, have access to or become acquainted with Trade Secrets or other confidential information relating to the business of Company. In this regard, Franchisee hereby acknowledges and agrees that the Franchisee Parties shall not, at any time whatsoever, disclose to others, either directly or indirectly, or take or use for Franchisee's or any of the Franchisee Party's own purposes or the purposes of others, either directly or indirectly, any Trade Secret, or any confidential information, knowledge, data or know-how of Company or its affiliates, except as expressly authorized by Company in writing. Franchisee understands and acknowledges that these restrictions shall also apply to (1) Trade Secrets, confidential information, knowledge, data or know-how conceived by or belonging to third parties which are in Company's possession, and (2) Trade Secrets, confidential information, knowledge, data or know-how conceived, originated, discovered or developed any of the Franchisee Parties within the scope of Franchisee's business operations. Franchisee understands and acknowledges that this obligation applies not only to technical information, but also to any business information that Company treats as confidential. All Trade Secrets, whether prepared by a Franchisee Party or otherwise, coming into Franchisee's possession, shall remain the exclusive property of Company.

3. Franchisee understands and acknowledges that all documents, reports, drawings, designs, tools, and equipment, plans, recipes, cooking procedures, proposals, and marketing and sales plans that come into Franchisee's possession by reason of Franchisee's involvement with Company are the exclusive property of Company, and shall not be used in any way that is or may be adverse to Company's interest. No Franchisee Party shall deliver, transfer, reproduce, copy, or provide any such property of Company to any third party, nor cause any such occurrence, without the specific direction or consent of an officer of Company. Upon the expiration or termination of Franchisee's franchise agreement with Company, or whenever otherwise required by Company, Franchisee shall either immediately deliver to Company all property and materials in Franchisee's possession or under Franchisee's control belonging to Company including, but not limited to, all Trade Secrets and confidential information of Company or, at Company's request, destroy such property and materials and provide evidence of such destruction to Company.

4. Franchisee understands and acknowledges that the Trade Secrets and confidential information of Company and its affiliates are of a special, unique, unusual, extraordinary, and intellectual character, which gives them a particular value, the loss of which cannot be reasonably compensated in damages in an action of law. Franchisee understands and acknowledges that in addition to any other rights or remedies that Company may possess, Company shall be entitled to injunctive and other equitable relief to prevent a breach of this Agreement by the Franchisee Parties.

5. Franchisee must obtain written permission to publish or cause to be published any article, book, textbook, play, tape recordings, text, email or any other form of communication concerning Company, its business, its affiliates, or its franchisees. Company may grant or withhold such permission in its sole subjective discretion.

6. Franchisee shall not now or in the future induce an employee to leave the employ of Company, any of Company's affiliates or any of Company's franchisees, or induce an employee, consultant, sales representative or other independent employee to sever that person's relationship with Company, Company's affiliates or Company's franchisees, by interfering with or raiding such employee or sales representative; disrupting Company's, its affiliates', or its franchisees' relationships with customers, agents, representatives or vendors; or otherwise.

7. Notwithstanding anything in this Agreement that may be argued or that could be construed to be to the contrary, nothing in this Agreement is intended to or shall be construed to limit or restrict any Franchisee Party's disclosure or use of any information that is not legally capable of protection as a Trade Secret or as confidential information, either as a matter of law or as determined by a court of competent jurisdiction.

8. The provisions of this Agreement are severable, and if any one or more provision is determined to be unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(a) The failure by Company to insist upon strict adherence to any term of this Agreement, or to object to any failure to comply with any provision of this Agreement, will not be a waiver of that term or provision, (b) estop Company from enforcing that term or provision or (c) preclude Company from enforcing that term or provision by laches. The receipt by Company of any benefit from this Agreement shall not affect a waiver or estoppel of the right of Company to enforce any provision of this Agreement.

9. To the fullest extent permitted by law, all of the covenants and agreements contained in this Agreement will survive the termination of any discussions between the parties or the termination or expiration of any business relationship which may hereafter be established between the parties and will also survive any definitive agreements entered into by the parties hereto, unless and only to the extent that such definitive agreements expressly supersede the covenants and agreements contained herein.

10. This Agreement supersedes all previous confidentially agreements, whether written or oral, relating to the above subject matter, and may be modified only by written agreement executed by all parties.

11. In the event of any litigation between the parties hereto in connection with this Agreement, the unsuccessful party to such litigation will pay to the successful party therein all costs and expenses, including but not limited to actual attorneys' fees incurred therein by such successful party, which costs, expenses and attorneys' fees shall be included as a part of any judgment rendered in such action in addition to any other relief to which the successful party may be entitled.

12. This Agreement will be construed according to the laws of the State of California, without reference to conflict of law principles. Any suit brought hereon must be brought in the state or federal courts sitting in Los Angeles County, California, the parties hereto hereby waiving any claim or defense that such forum is not convenient or proper.

13. Franchisee and Company acknowledge that they have read this Agreement, understand it, and agree to each of its provisions.

"FRANCHISEE"

____

Dated: ___________________, 20_____

By: _____________________________________
Name: ___________________________________
Its: _____________________________________

"COMPANY"

RUBY'S FRANCHISE SYSTEMS, INC.

____

Dated: ___________________, 20_____

By: Douglas S. Cavanaugh
President

EXHIBIT D.

GUARANTY

CONTINUING PERSONAL GUARANTY

FOR VALUE RECEIVED, and in consideration of Ruby's Franchise Systems, Inc., a California corporation ("Company") **[granting a franchise][consenting to the assignment of the Franchise Agreement (as defined below)]** to __________________________________, a corporation ("Franchisee"), the undersigned, __________________________________, (collectively, the "Guarantor"), hereby agrees as follows:

1. **Guaranty Of Obligations**. (a) Guarantor unconditionally, absolutely and irrevocably guarantees the full and prompt payment and performance when due, of all obligations of Franchisee to Company and its affiliates, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing or due or to become due, including, without limitation, under or in connection with that certain Franchise Agreement dated _____________, 20_________ the "Franchise Agreement") and each of the documents, instruments and agreements executed and delivered in connection therewith, as each may be modified, amended, supplemented or replaced from time to time (all such obligations are herein referred to collectively as the "Liabilities"), and all documents evidencing or securing any of the Liabilities. This Continuing Personal Guaranty (this "Continuing Guaranty") is a guaranty of payment and performance when due and not of collection.

(b) In the event of any default by Franchisee in making payment of, or default by Franchisee in performance of, any of the Liabilities, Guarantor agrees on demand by Company to pay and perform all of the Liabilities as are then or thereafter become due and owing or are to be performed under the terms of the Liabilities. Guarantor further agrees to pay all expenses (including reasonable attorneys' fees and expenses) paid or incurred by Company in endeavoring to collect or enforce the Liabilities, or any part thereof, or this Continuing Guaranty.

2. **Continuing Nature Of Guaranty And Liabilities**. This Continuing Guaranty shall be continuing and shall not be discharged, impaired or affected by: (a) the insolvency of Franchisee or the payment in full of all of the Liabilities at any time or from time to time; (b) the power or authority or lack thereof of Franchisee to incur the Liabilities; (c) the validity or invalidity of any of the Liabilities; (d) the existence or non-existence of Franchisee as a legal entity; (e) any statute of limitations affecting the liability of Guarantor under, or the ability of Company to enforce, this Continuing Guaranty or the Liabilities, or any provision thereof; or (f) any right of offset, counterclaim or defense of Guarantor, including, without limitation, those which have been waived by Guarantor pursuant to Paragraph 4 below.

3. **Permitted Actions Of Company**. Company may from time to time, in its sole discretion and without notice to Guarantor, take any or all of the following actions: (a) retain or obtain the primary or secondary obligation of any obligor or obligors, in addition to Guarantor, with respect to any of the Liabilities; (b) extend or renew for one or more periods (whether or not longer than the original period), amend, alter or exchange any of the Liabilities; (c) waive, ignore or forbear from taking action or otherwise exercising any of its default rights or remedies with respect to any default by Franchisee under the Liabilities; (d) release, waive or compromise any obligation of Guarantor hereunder or any obligation of any nature of any other obligor primarily or secondarily obligated with respect to any of the Liabilities; and (e) demand payment or performance of any of the Liabilities from Guarantor at any time or from time to time, whether or not Company shall have exercised any of its rights or remedies with respect to any property securing any of the Liabilities or any obligation hereunder or proceeded against any other obligor primarily or secondarily liable for payment or performance of any of the Liabilities.

4. **Specific Waivers**.

(a) Without limiting the generality of any other provision of this Continuing Guaranty, Guarantor hereby expressly waives: (i) notice of the acceptance by Company of this Continuing Guaranty; (ii) notice of the existence, creation, payment, nonpayment, performance or nonperformance of all or any of the Liabilities; (iii) presentment, demand, notice of dishonor, protest, notice of protest and all other notices whatsoever with respect to the payment or performance of the Liabilities or the amount thereof or any payment or performance by Guarantor hereunder; (iv) all diligence in collection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder or any security for or guaranty of any of the foregoing; (v) any right to direct or affect the manner or timing of Company's enforcement of its rights or remedies; (vi) any and all defenses which would otherwise arise upon the occurrence of any event or contingency described in Paragraph 1 hereof or upon the taking of any action by Company permitted hereunder; (vii) any defense, right of set-off, claim or counterclaim whatsoever and any and all other rights, benefits, protections and other defenses available to Guarantor now or at any time hereafter, including, without limitation, under California Civil Code Sections 2787 to 2855, inclusive, and Civil Code Sections 2899 and 3433, and all successor sections; and (viii) all other principles or provisions of law, if any, that conflict with the terms of this Continuing Guaranty, including, without limitation, the effect of any circumstances that may or might constitute a legal or equitable discharge of a guarantor or surety.

(b) Guarantor waives all rights and defenses arising out of an election of remedies by Company. Without limiting the generality of the foregoing, Guarantor acknowledges that it has been made aware of the provisions of California Civil Code Section 2856, has read and understands the provisions of that statute, has been advised by its counsel (or has had an opportunity to consult with counsel and has not availed itself of such opportunity) as to the scope, purpose and effect of that statute, and based thereon, and without limiting the foregoing waivers, Guarantor agrees to waive all suretyship rights and defenses available to Guarantor that are described in California Civil Code Section 2856(a).

(c) Guarantor hereby further waives all rights to revoke this Continuing Guaranty at any time, and all rights to revoke any agreement executed by Guarantor at any time to secure the payment and performance of Guarantor's obligations under this Continuing Guaranty.

5. **Subordination; Subrogation**. Guarantor hereby subordinates any and all indebtedness of Franchisee to Guarantor to the full and prompt payment and performance of all of the Liabilities. Guarantor agrees that Company shall be entitled to receive payment of all Liabilities prior to Guarantor's receipt of payment of any amount of any indebtedness of Franchisee to Guarantor. Guarantor will not exercise any rights which it may acquire by way of subrogation under this Continuing Guaranty, by any payment hereunder or otherwise, until all of the Liabilities have been paid in full, in cash, and Company shall have no further obligations to Franchisee under the Liabilities or otherwise.

6. **Binding Upon Successors; Death Of Guarantor; Joint And Several**. (a) This Continuing Guaranty shall be binding upon Guarantor and Guarantor's successors and assigns and shall inure to the benefit of Company and its successors and assigns. This Continuing Guaranty shall not terminate or be revoked upon the death of Guarantor, notwithstanding any knowledge by Company of Guarantor's death.

(b) All references herein to Franchisee shall be deemed to include its successors and permitted assigns, and all references herein to Guarantor shall be deemed to include Guarantor and Guarantor's successors and permitted assigns or, upon the death of Guarantor, the duly appointed representative, executor or administrator of Guarantor's estate.

(c) In addition and notwithstanding anything to the contrary contained in this Continuing Guaranty or in any other document, instrument or agreement between or among any of Company, Franchisee, Guarantor or any third party, the obligations of Guarantor with respect to the Liabilities shall be joint and several with any other person or entity that now or hereafter executes a guaranty of any of the Liabilities separate from this Continuing Guaranty.

(d) If there shall be more than one Guarantor (or more than one person or entity comprises Guarantor) under this Agreement, all of the Guarantor's obligations and the other obligations, representations, warranties, covenants and other agreements of any Guarantor under this Agreement shall be joint and several obligations and liabilities of each Guarantor.

7. **Governing Law**. This Continuing Guaranty has been delivered and shall be governed by and construed in accordance with the internal laws (as opposed to the conflicts of law provisions) of the State of California. Wherever possible each provision of this Continuing Guaranty shall be interpreted as to be effective and valid under applicable law, but if any provision of this Continuing Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Continuing Guaranty.

IN WITNESS WHEREOF, Guarantor has executed this Continuing Guaranty this day of ______________________, 20__________.

"Guarantor"

____

____

EXHIBIT E.

GENERAL RELEASE

GENERAL RELEASE

This GENERAL RELEASE ("Release") is made by and among Ruby's Franchise Systems, Inc., a California corporation ("Company") and each of the undersigned ____________________ and _______________________________ (jointly and severally the "Franchisee"), effective as of the date of execution of this Release by both Company and Franchisee ("Effective Date"), with reference to the following facts:

[Alt. 1] A. Company and Franchisee are parties to **[that][those]** certain Franchise Agreement**[s]**, dated__(the "Franchise Document**[s]**");

[Alt. 2]A. Company and Franchisee are parties to that certain Multi-Unit Development Agreement, dated__(the "Franchise Document");

[Alt. 3]A. Company and Franchisee are parties to that certain Multi-Unit Development Agreement, dated__, and those certain Franchise Agreement**[s]**, dated ______(collectively, the "Franchise Documents");

B. Franchisee desires to **[assign the Transaction Document[s]] [enter into a franchise agreement with Company]**; and

C. This Release has been requested at a juncture in the relationship of the parties where the Company is considering either a change or an expansion of the relationship between the parties and/or their affiliates. The Company is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims (as defined below). Franchisee, therefore, gives this Release as consideration for receiving the agreement of the Company to an anticipated change or expansion of the relationship between the parties. Franchisee acknowledges that this Release is intended to wipe the slate clean.

THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Franchisee and Company hereby agree as follows:

1. Definitions. As used in this Release, the following capitalized terms have the meanings ascribed to them:

1.1 "Constituents" means past, present and future affiliates, parents, subsidiaries, divisions, partners, owners, shareholders, members, trustees, receivers, executors, representatives, administrators, and the respective officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of them.

1.2 "Claims" means any and all claims, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever, whether now known or unknown, suspected or unsuspected, at law or in equity, which the releasing party now has, owns or holds, at any time heretofore ever had, owned or held, or at any time hereafter has, owns or holds.

1.3 "Excluded Matters" means (i) Company's continuing obligations which arise or continue under and pursuant to the Franchise Document**[s]** on and after the date of this Release; and

(ii) if this Release is entered into in connection with the grant of a franchise or license, this Release is not intended to release or waive the provisions of any applicable franchise registration or disclosure law in connection with the grant of that franchise or license.

1.4 "Related Parties" means predecessors, affiliates (including in the case of Company, Ruby's Diner, Inc.), agents, employees, successors, assigns, and their respective officers, directors, shareholders, heirs, executors and representatives.

2. Release. Franchisee, for itself and its Constituents, hereby absolutely and forever releases and discharges Company and its Related Parties, from and against any and all Claims based on anything that has occurred or existed, or failed to occur or exists, from the beginning of time to the Effective Date, except for the Excluded Matters and the obligations under this Release. Franchisee, for itself and its Constituents, acknowledges that each of Company and its Related Parties is a direct beneficiary with respect to each provision of this Release applicable to Company or the Related Party and may enforce each of these provisions. Franchisee, for itself and its Constituents, hereby irrevocably covenants not to assert, or to initiate any suit or proceeding based, in whole or in part, upon any Claim released hereunder.

3. Waiver. Franchisee, for itself and its Constituents, acknowledges that it is familiar with Section 1542 of the Civil Code of the State of California which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR."

Franchisee, for itself and its Constituents, hereby expressly waives and relinquishes every right or benefit which Franchisee has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, with respect to the matters released by Franchisee pursuant to paragraph 1 to the full extent that Franchisee may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment and with respect to said matters released by Franchisee, Franchisee, for itself and its Constituents, acknowledges that it is aware that it may hereafter discover facts in addition to or different from those which Franchisee now knows or believes to be true with respect to the subject matter of this Release, but that it is Franchisee's intention hereby fully, finally and forever, to settle and release all Claims, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts.

4. Entire Agreement. This Release supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. The Release may not be amended except in a writing signed by all of the parties. No representations, warranties, agreements or covenants have been made with respect to this Release, and in executing this Release, none of the parties is relying upon any representation, warranty, agreement or covenant not set forth herein.

5. Acknowledgment. Each of the parties certifies to the other that it has read all of this Release and fully understands all of the same and that it has executed this Release after having had the opportunity to obtain legal advice as to such party's rights from legal counsel of its choice.

6. Power and Authority. Each of the parties represents and warrants to the other that it has the full power and authority to execute this Release, and to do any and all things reasonably hereunder. Nothing herein shall constitute an admission of any liability or wrong doing by any party hereto.

7. No Assignment. Franchisee represents and warrants to Company that it has not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any Claim which is called for to be released by this Release now or in the future, that it is aware of no third party who contends or claims otherwise, and that it shall not purport to assign, transfer, or convey any such Claim hereafter.

8. Choice of Law. This Agreement shall be construed in accordance with and all disputes hereunder shall be governed by the laws of the State of California without giving effect to the principles of conflicts of law. If any legal action is necessary to enforce the terms and conditions of this Agreement, the parties hereby agree that the Superior Court of California, County of Los Angeles, shall be the sole jurisdiction and venue for the bringing of the action.

9. Gender. Whenever in this Agreement the context may so require, the feminine, masculine or neuter gender shall be deemed to refer to and include the neuter, feminine and masculine, and the singular to refer to and include the plural.

10. Severability. Whenever possible, each provision of this Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Release shall be or become prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Release.

11. Counterparts. This Release may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the date set forth above its/his name below.

DATED:______________________________	DATED: ____________________________________
COMPANY: RUBY'S FRANCHISE SYSTEMS, INC.	FRANCHISEE: _______________________________________
By: _________________________________ Its: _________________________________	By:______________________________________ Its: ______________________________________

____,
Individually

____,
Individually

EXHIBIT F.

FINANCIAL STATEMENTS

RUBY'S FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 27, 2015, DECEMBER 28, 2014, AND DECEMBER 29, 2013

WITH INDEPENDENT AUDITORS' REPORT

RUBY'S FRANCHISE SYSTEMS, INC. AND SUBSIDIARY
TABLE OF CONTENTS
DECEMBER 27, 2015, DECEMBER 28, 2014 AND DECEMBER 29, 2013

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Management of
Ruby's Franchise Systems, Inc. and Subsidiary
Irvine, California

We have audited the accompanying consolidated financial statements of Ruby's Franchise Systems, Inc. (a California corporation) and Subsidiary (collectively, the "Company"), which comprise the consolidated balance sheets as of December 27, 2015 and December 28, 2014 and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

Opinion

In our opinion, the 2015 and 2014 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ruby's Franchise Systems, Inc. and Subsidiary as of December 27, 2015 and December 28, 2014 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the consolidated financial statements, the Company had negative working capital and stockholders' deficit as of December 27, 2015. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements of Ruby's Franchise Systems, Inc. as of December 29, 2013, were audited by other auditors whose report dated December 4, 2014, expressed an unmodified opinion on those statements.

White Nelson Diehl Evans LLP

Irvine, California
August 5, 2016

RUBY'S FRANCHISE SYSTEMS, INC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 27, 2015, DECEMBER 28, 2014, AND DECEMBER 29, 2013

ASSETS

	2015	2014	2013
Current Assets:			
Cash	$ 40,727	$ 654,923	$ 1,200
Restricted cash	100,239	41,120	15,056
Accounts receivable, net	462,140	224,203	184,873
Due from related parties, net	-	-	40,298
Prepaid expense and other current assets	22,920	-	-
Total Current Assets	626,026	920,246	241,427
Property and Equipment:			
Furniture, fixtures and equipment	2,314	2,314	2,314
Construction in progress	-	-	12,181
Total property and equipment, at cost	2,314	2,314	14,495
Less: Accumulated depreciation	(1,205)	(873)	(542)
Property and Equipment, at Net Book Value	1,109	1,441	13,953
Other Assets:			
Deposits and other asset	261,245	-	12,891
Total Other Assets	261,245	-	12,891
Total Assets	$ 888,380	$ 921,687	$ 268,271

The accompanying notes are an integral part of these consolidated financial statements.

RUBY'S FRANCHISE SYSTEMS, INC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 27, 2015, DECEMBER 28, 2014, AND DECEMBER 29, 2013

LIABILITIES AND STOCKHOLDERS' DEFICIT

	2015	2014	2013
Current Liabilities:			
Accounts payable	$ 245,105	$ 264,261	$ 122,030
Accrued expenses	13,613	75,370	56,110
Payable to related parties	220,783	371,605	171,108
Deferred franchise fees	468,750	168,750	10,000
Distributions payable	-	-	33,333
Current maturities of notes payable	1,326,505	201,673	65,557
Total Current Liabilities	2,274,756	1,081,659	458,138
Long-Term Liabilities:			
Notes payable	1,683,516	3,031,041	1,634,443
Total Long-Term Liabilities	1,683,516	3,031,041	1,634,443
Total Liabilities	3,958,272	4,112,700	2,092,581
Stockholders' Deficit:			
Common stock	11,696	11,696	11,696
Additional paid-in capital	7,310	7,310	7,310
Accumulated deficit	(1,338,898)	(1,460,019)	(93,316)
Notes receivable from stockholders	(500,000)	(500,000)	(500,000)
Treasury stock, at cost	(1,250,000)	(1,250,000)	(1,250,000)
Total Stockholders' Deficit	(3,069,892)	(3,191,013)	(1,824,310)
Total Liabilities and Stockholders' Deficit	$ 888,380	$ 921,687	$ 268,271

The accompanying notes are an integral part of these consolidated financial statements.

RUBY'S FRANCHISE SYSTEMS, INC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 27, 2015, DECEMBER 28, 2014 AND DECEMBER 29, 2013

	2015	2014	2013
Revenues - Continuing Franchises:			
Franchise royalties	$ 2,057,214	$ 2,281,131	$ 2,240,336
Initial franchise fees	-	25,000	-
Restaurant revenues	-	447,627	-
Total Revenues	2,057,214	2,753,758	2,240,336
Restaurant Operating Costs:			
Food and beverage costs	-	165,692	-
General and administrative expenses	-	841,713	-
Franchise Systems Operating Costs:			
License fees	1,028,500	1,144,192	1,174,532
General and administration expenses	778,811	1,000,413	714,793
Impairment of long-lived assets	-	661,757	-
Total Operating Costs and Expenses	1,807,311	3,813,767	1,889,325
Income (Loss) from Operations	249,903	(1,060,009)	351,011
Other Income (Expense):			
Interest income	23,743	28,750	17,274
Interest expense	(184,235)	(130,028)	(93,098)
Total Other Income (Expense)	(160,492)	(101,278)	(75,824)
Income (Loss) from Continuing Operations	89,411	(1,161,287)	275,187
Income from Discontinued Operations (Note 9)	54,210	-	-
Net Income (Loss)	$ 143,621	$ (1,161,287)	$ 275,187

The accompanying notes are an integral part of these consolidated financial statements.

RUBY'S FRANCHISE SYSTEMS, INC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 27, 2015, DECEMBER 28, 2014 AND DECEMBER 29, 2013

	Common Stock		Additional	Accumulated	Notes Receivable from	Treasury	
	Number	Amount	Paid-in Capital	Deficit	Stockholders	Stock	Total
Balance at December 30, 2012	100,000	$ 11,696	$ 7,310	$ (75,374)	$ -	$ (1,250,000)	$ (1,306,368)
Net income	-	-	-	275,187	-	-	275,187
Notes receivable issued to stockholders	-	-	-	-	(500,000)		(500,000)
Distributions	-	-	-	(293,129)	-	-	(293,129)
Balance at December 29, 2013	100,000	11,696	7,310	(93,316)	(500,000)	(1,250,000)	(1,824,310)
Net loss	-	-	-	(1,161,287)	-	-	(1,161,287)
Distributions	-	-	-	(205,416)	-	-	(205,416)
Balance at December 28, 2014	100,000	11,696	7,310	(1,460,019)	(500,000)	(1,250,000)	(3,191,013)
Net income	-	-	-	143,621	-	-	143,621
Distributions	-	-	-	(22,500)	-	-	(22,500)
Balance at December 27, 2015	100,000	$ 11,696	$ 7,310	$ (1,338,898)	$ (500,000)	$ (1,250,000)	$ (3,069,892)

The accompanying notes are an integral part of these consolidated financial statements.

RUBY'S FRANCHISE SYSTEMS, INC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 27, 2015, DECEMBER 28, 2014 AND DECEMBER 29, 2013

	2015	2014	2013
Cash Flows from Operating Activities:			
Income (Loss) from continuing operations	$ 89,411	$ (1,161,287)	$ 275,187
Income from discontinued operations (Note 9)	54,210	-	-
Net Income (Loss)	143,621	(1,161,287)	275,187
Non-cash items included in net income:			
Depreciation and amortization expense	17,182	331	4,596
(Gain) / loss on sale of property and equipment	-	(1,400)	8,537
Allowance for doubtful accounts	(19,867)	(78,661)	(235,746)
Impairment of long-lived assets	-	661,757	-
Changes in:			
Accounts receivable	(218,070)	39,331	18,430
Due from related parties	-	40,298	324,316
Prepaid expenses and other current assets	(1,015)	-	-
Deposits	-	12,891	(12,891)
Note receivable	-	-	24,922
Accounts payable	(19,156)	142,231	(7,316)
Accrued expenses	(61,757)	19,260	328
Payable to related parties	(209,941)	174,433	(341,144)
Deferred franchise fees and prepaid royalties	-	158,750	(158,750)
Net Cash Provided by (Used in) Operating Activities	(369,003)	7,934	(99,531)
Cash Flows from Investing Activities:			
Purchase of property and equipment	-	(648,176)	(12,182)
Proceeds from disposal of property and equipment	-	-	17,000
Net Cash Provided by (Used in) Investing Activities	-	(648,176)	4,818
Cash Flows from Financing Activities:			
Proceeds from note payable	-	3,300,000	1,700,000
Repayment of notes payable	(222,693)	(1,767,286)	(1,024,654)
Distributions	(22,500)	(238,749)	(250,874)
Issuance of notes receivable from stockholders	-	-	(500,000)
Net Cash Provided by (Used in) Financing Activities	(245,193)	1,293,965	(75,528)
Net Increase (Decrease) in Cash	(614,196)	653,723	(170,241)
Cash Balance at Beginning of Year	654,923	1,200	171,441
Cash Balance at End of Year	$ 40,727	$ 654,923	$ 1,200

The accompanying notes are an integral part of these consolidated financial statements.

RUBY'S FRANCHISE SYSTEMS, INC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
DECEMBER 27, 2015, DECEMBER 28, 2014, AND DECEMBER 29, 2013

	December 27, 2015	December 28, 2014	December 29, 2013
Supplemental Disclosures:			
Income taxes paid	$ -	$ -	$ 2,300
Interest paid	$ 184,235	$ 130,028	$ 93,098
Supplemental Disclosures of Non-Cash Investing and Financing Activities:			
Deposit applied to note payable to a former stockholders	$ -	$ -	$ 250,000
Distributions to stockholders in distributions payable	$ -	$ -	$ 33,333
Interest receivable distributed to stockholders	$ -	$ -	$ 16,130

The accompanying notes are an integral part of these consolidated financial statements.

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Ruby's Franchise Systems, Inc. (“RFS”) was incorporated in California in July 1990. The RFS’ principal business is to support existing Ruby’s Diner franchises and sell new franchises. As of December 27, 2015, the RFS’ franchisees operate twelve Ruby’s Diner restaurants in southern California, three in Pennsylvania, and one restaurant in New Jersey, Nevada, and Texas.

In June 2014, RFS started Ruby’s Whaler’s Village LLC (“Whaler’s Village”), a Ruby’s Diner restaurant, in Maui, Hawaii. Whaler’s Village ceased its operations in January 2015.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of RFS and its wholly-owned subsidiary, Whaler’s Village, (collectively the “Company”). Inter-company transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative GAAP.

Fiscal Year

The Company operates on a 52 or 53-week fiscal year ending on the Sunday closest to December 31. Fiscal years 2015, 2014, and 2013 each consisted of 52 weeks.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents includes currency on hand, demand deposits with bank or other financial institutions and short-term investments with an original maturity of three months or less.

Cash received and paid by the System Advertising Fund is excluded from the consolidated statements of cash flows as the restricted cash account is a custodial account maintained by the Company on behalf of the System Advertising Fund.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Accounts Receivable

The Company's accounts receivable are due from franchisees and are generally not collateralized. Accounts receivable are due within 30 days and are stated at amounts due from franchisees net of an allowance for doubtful accounts. The allowance represents management's estimates of amounts considered uncollectible. The Company determines its allowance by considering a number of factors, including the length of time trade receivables are past due, the Company's previous loss history and each franchisee's current ability to pay its obligation to the Company. The Company writes off accounts receivable when they become uncollectible.

Property and Equipment

Property and equipment expenditures are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of the related assets are as follows:

Furniture, fixtures and equipment	3-7 years

Depreciation expense for the years ended December 27, 2015, December 28, 2014, and December 29, 2013, was $332, $331, and $4,596, respectively.

Revenue Recognition

The Company's revenue includes initial franchise fees, continuing franchise fees, food and beverage sales. Fees related to the sale of franchise rights are deferred and recognized as revenue upon performance by the Company of all conditions relating to the initial fee. Recurring franchise royalty fees which are based on a percentage of the franchisee's adjusted gross sales are recognized as revenue when earned. Each new franchisee is charged with an additional initial start-up cost that varies for various training and opening costs.

The following are the initial franchise fees:

	Full-service Diner	Fast-casual Diner	Food Truck
First Restaurant	$ 45,000	$ 40,000	$ 30,000
Second Restaurant	40,000	37,000	27,000
Third and Subsequent Restaurant	35,000	32,000	22,000

The total number of new franchises opened during 2015, 2014, and 2013 were 0, 1, and 0, respectively. The Company has 18 franchises at December 27, 2015.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Incentive to Franchisee

During 2015, the Company extended the franchise agreement with one of the franchisees. In accordance with the agreement, the Company has agreed to pay the reimage costs of the franchisee in excess of $1,000,000, up to a maximum amount of $300,000. The payment will be in the form of reduction in royalty fees due to the Company until the overrun is paid in full. Accordingly, the Company has recognized an incentive to franchisee asset and deferred franchise fees of $300,000. The incentive to franchisee asset will be amortized over the life term of the agreement, expiring in 2028. For the year ended December 27, 2015, amortization expense totaled $16,850. At December 27, 2015, the net incentive to franchisee asset was $283,150 and is included in other assets on the accompanying consolidated balance sheets. Deferred franchise fee from this agreement was $300,000 at December 31, 2015, and is included in deferred royalty fees in the accompanying consolidated balance sheets.

Income Taxes

The Company has elected by consent of its stockholders to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income and is not allowed a net operating loss carryover or carryback as a deduction. Instead, the stockholders are liable for individual income taxes on their respective share of the Company's taxable income.

California has conformed to the federal law which allows domestic corporations to be taxed under similar provisions of Subchapter S of the Internal Revenue Code. However, unlike the federal provision, a 1.5 percent tax on the net income of the Company is still maintained for California purposes.

The Company accounts for uncertain tax positions by making subjective assumptions and judgments regarding its income tax exposures. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. Interpretations and guidance surrounding income tax laws and regulations change over time. As such, changes in the Company's subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and consolidated statements of operations.

The Company's policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties were accrued as of December 27, 2015, December 28, 2014, and December 29, 2013.

The Company files income tax returns in the U.S. Federal and multiple state jurisdictions. Years prior to 2012 are no longer subject to U.S. Federal income tax examination, and the Company is no longer subject to state income tax examinations for years before 2011.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The process of preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

New Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)."* The ASU establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance such as the real estate, construction and software industries. The ASU core principle is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 was effective for nonpublic entities for years beginning after December 15, 2017, and interim periods within years beginning after December 15, 2018.

In August 2015, the FASB issued ASU No. 2015-14, *"Revenue from Contracts with Customers (Topic 606),"* which defers the effective date of ASU 2014-09 by one year. As such, nonpublic entities would apply the standards to years beginning after December 15, 2018, and to interim periods within years beginning after December 15, 2019. The FASB also tentatively decided to allow entities to adopt the ASU early, but no earlier than years beginning after December 15, 2016. The Company is currently evaluating the impact of the provisions of ASU 2014-09 and 2015-14, on the presentation of its financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*". ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, early application is permitted. The Company is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

Note 2: Concentrations, Risks, and Uncertainties

The Company maintains cash balances at several banks. At December 27, 2015, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company's cash balances at these institutions in excess of federally insured limits at December 27, 2015, December 28, 2014, and December 29, 2013, totaled approximately $0, $260,000, and $0, respectively.

Note 2: Concentrations, Risks, and Uncertainties (Continued)

During 2015, 2014 and 2013, respectively, the Company received approximately 53, 56, and 56 percent of its total revenue from franchisees owned by four individuals or entities. At December 27, 2015, December 28, 2014, and December 29, 2013, the amounts outstanding from these individuals or entities totaled approximately $386,000, $245,000 and $477,000, respectively.

Credit is extended for some customers and is based on financial condition, and generally, collateral is not required. Credit losses are provided for in the consolidated financial statements and consistently have been within management's expectations.

Note 3: Accounts Receivable, Net

Accounts receivable, net, at December 27, 2015, December 28, 2014, and December 29, 2013, consist of the following:

	2015	2014	2013
Trade accounts receivable	$ 651,629	$ 433,220	$ 472,890
Less: Allowance for doubtful accounts	(189,489)	(209,017)	(288,017)
Accounts Receivable, Net	$ 462,140	$ 224,203	$ 184,873

Note 4: Related Party Transactions

Ruby's Franchise Systems, Inc., Ruby's Diner, Inc. ("RDI"), The Beachcomber, and Ruby's Management LLC ("RML") are related entities through common ownership. RDI operates sixteen Ruby's Diner restaurants and manages two of the franchise locations.

Franchise Royalties and Fees

Two of the Company's franchises are owned by certain stockholders of the Company and the Company has reduced their royalty rate to 0% for 2015 and 2014, and 2.5% for 2013. In addition, RDI and RML own a minority interest in two other franchise locations. The Company recognized franchise royalties of $219,014, $286,488 and $175,977 from these franchisees in fiscal 2015, 2014, and 2013, respectively, prior to the provision for doubtful accounts.

The Company paid receivables, net of allowance for doubtful accounts, from related parties for unpaid franchise fees of $10,584, $10,264, and $11,580 at December 27, 2015, December 28, 2014 and December 29, 2013, respectively. The Company recognized recoveries of doubtful accounts from these franchisees of $0, $0, and $232,173 in fiscal years 2015, 2014 and 2013, respectively.

Note 4: Related Party Transactions (Continued)

License Fee

The Company paid a license fee to RDI for use of the operational system and trademarks of Ruby's Diner, Inc. at the rate of 50 percent of royalty fees earned. In November 2015, the rate was reduced to 25 percent of royalty fees earned. During fiscal 2015, 2014 and 2013, the Company incurred $1,028,500, $1,144,192 and $1,174,532, respectively, of license fees.

Administration Costs and Other Expenses

RDI pays certain expenses on behalf of the Company and bills the Company for its share of the expenses. The Company and RDI share facilities and certain personnel. Allocations of joint expenses are subjective and are based upon analysis performed by and jointly agreed to by management of the Company and RDI.

The license fees, payroll and other allocated expenses are recorded through an intercompany account. At December 27, 2015, December 28, 2014, and December 29, 2013, the amount payable to RDI was $220,783, $228,057, and $70,360, respectively.

System Advertising Fund

The Company administers a system advertising fund "Ad Fund" in which, as a condition of the franchise agreement, the franchisees (except for airport locations) are required to pay a percent of their gross revenues into the Ad Fund.

The contributions to this Ad Fund are both designated to and segregated for advertising, thus, in accordance with FASB ASC 952-605, "*Franchisors*", the Company does not reflect, and has not reflected in the past, franchisee contributions to this Ad Fund in the accompanying consolidated statements of operations.

The Company had restricted cash related to the Ad Fund of $100,239, $41,120, and $15,056 at December 27, 2015, December 28, 2014, and December 29, 2013, respectively. The amounts represent cash held on behalf of the Ad Fund by the Company as the Ad Fund is not a legal entity.

Note 4: Related Party Transactions (Continued)

Due from Related Parties, Net

Receivables from related parties, net, at December 27, 2015, December 28, 2014, and December 29, 2013, consist of the following:

	2015	2014	2013
Receivable from related franchisees for franchise royalties net of allowance for doubtful accounts	$ -	$ -	$ 11,580
Net receivable from related entities for expenses paid on their behalf	-	-	28,718
Related Parties Receivable, Net	$ -	$ -	$ 40,298

Payable to Related Parties

Payables due to related parties at December 27, 2015, December 28, 2014, and December 29, 2013, consist of the following:

	2015	2014	2013
Liability to System Advertising Fund for restricted cash held on their behalf	$ 100,239	$ 41,120	$ 15,056
Payable to System Advertising Fund for advertising funds received by the Company from franchisees not deposited into the restricted cash account	85,692	85,692	85,692
Net payable to related entities for expenses paid on the Company's behalf	3.422	16,736	-
RDI	31.430	228,057	70,360
	$ 220.783	$ 371,605	$ 171,108

Notes Receivable from Stockholders

In 2013, the Company entered into notes receivable from stockholders totaling $500,000. The notes bear interest at 7.5% per annum through May 29, 2014 and 4.5% thereafter. Total interest income earned in fiscal years 2015, 2014, and 2013 was $23,743, $28,750, and $16,130, respectively. Interest receivable of a like amount was distributed to stockholders at year end. The notes are due upon demand. It is anticipated that these notes will be repaid through future distributions to the Company's owners, thus the receivable is treated similar to a distribution to the Company's owners and shown as an offset to stockholders' deficit.

Note 5: Notes Payable

On July 28, 2013, the Company entered into a $1,700,000 promissory note with a franchisee. Interest at the rate of 7.5 percent, payable monthly. The note was guaranteed by the Company's stockholders and secured by the Company's stock and RDI's stock. The proceeds were used to pay off the Company's $1,000,000 balance on the note payable to the former shareholder and to fund, through the issuance of $500,000 of notes receivable from stockholders, the $500,000 due on the RDI stockholders' notes payable to the former stockholder with the remaining $200,000 used as working capital. At December 29, 2013, the balance outstanding was $1,700,000. The note was paid in full in 2014.

On May 21, 2014, the Company entered into a $1,700,000 promissory note with a bank and used the proceeds to pay off the franchisee note listed above. The note was modified on October 19, 2015, and bears interest at the rate of 4.75 percent, with monthly principal and interest payments of $25,471, maturing in June 2021. Prior to the note modification, the note was bearing interest at 4.50 percent, with monthly principal and interest payments of $17,697. The new payment terms have been reflected in the future payments disclosed below. The note is collateralized by all contract rights and franchise payments under the franchise agreements. The agreement required the Company to maintain a bank account with the lending bank until the note is paid in full. All franchise payments are required to be deposited into this account. The note is subject to a minimum debt service coverage ratio and minimum earnings covenants. At December 27, 2015 and December 28, 2014, the balance outstanding on this note was $1,484,462 and $1,632,714, respectively.

On May 21, 2014, the Company entered into a $600,000 promissory note with a bank and used the proceeds to fund the construction of Whaler's Village in Maui, Hawaii. The note was modified on October 19, 2015, and bears interest at the bank's index rate plus 1.75 percent, with monthly principal and interest payments of $8,663, maturing in December 2021. Prior to the note modification, the note was bearing interest at the bank's index rate plus 1.25 percent, with monthly principal and interest payments of $8,358. The new payment terms have been reflected in the future payments disclosed below. The note is collateralized by all the assets of the Company. At December 27, 2015 and December 28, 2014, the balance outstanding on this note was $525,559 and $600,000, respectively.

The notes payable to the bank are subject to a minimum debt service coverage ratio and minimum earnings. At December 27, 2015, the Company was in compliance or had obtained a waiver with respect to all terms of the line of the promissory notes with the bank.

On December 22, 2014, the Company entered into a $1,000,000 promissory note with a franchisee and used the proceeds for working capital. The note bears interest at the rate of 7.5 percent, maturing in October 2016. At December 27, 2015 and December 28, 2014, the balance outstanding on this note was $1,000,000.

Note 5: Notes Payable (Continued)

The following are maturities of notes payable for each of the next five fiscal years:

2016	$ 1,326,505
2017	342,763
2018	359,832
2019	377,226
2020	390,975
Thereafter	212,720
	$ 3,010,021

Note 6: Common Stock

The Company has authorized 1,000,000 shares of $0.10 stated value common stock. At December 27, 2015, December 28, 2014, and December 29, 2013, 116,889 shares were issued and 100,000 shares outstanding.

Note 7: Commitments and Contingencies

Operating Leases

In 2013, the Company entered into a ten year operating lease with a five year renewal option for the Whaler's Village location. Rental expense, including common area maintenance charges, for the years ended December 27, 2015 and December 28, 2014 was approximately $14,000 and $249,000, respectively.

In January 2015, Whaler's Village was closed and ceased operations. As a result, management has been negotiating with the landlord to terminate the lease. The landlord has re-let the property in April 2015. In March 2016, the Company settled the matter with the landlord agreeing to forfeit the deposit and will pay the deficiency balance of $25,330, which has been accrued as of December 27, 2015. The liability is included in accrued expenses on the accompanying consolidated balance sheets.

Litigation

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its consolidated financial statements.

Note 8: Employee Benefit Plan

The Company participates in the Ruby's Diner, Inc. Savings and Retirement Plan (the Plan), whereby all employees who are at least 21 years of age, have one year of service and have worked at least 1,000 hours per year are eligible to participate. The Plan is designed to be a qualified profit sharing and salary deferral program. Participants are able to contribute, on a pretax basis, amounts pursuant to Internal Revenue Service limitations. The Company may make discretionary matching contributions to the Plan subject to the approval by the Board of Directors. The Company's contributions are subject to a five-year vesting period. There were 401(k) matching contributions made by the Company of $0, $592 and $794 during 2015, 2014 and 2013, respectively. The Company may also make a discretionary profit sharing contribution to the Plan on behalf of all participants subject to the approval by the Board of Directors. The Company did not make a profit sharing contribution for the years ended December 27, 2015, December 28, 2014 and December 29, 2013.

Note 9: Discontinued Operations

In January 2015, Whaler's Village was closed and ceased operations. As such, the assets of Whaler's Village were considered impaired at December 28, 2014 and an impairment loss of $661,757 was recognized, which is included in impairment of long-lived assets in the accompanying consolidated statements of operations. Most of the assets used in operations were abandoned. The operating results for Whaler's Village for the year ended December 27, 2015, are reported as discontinued operations on the accompanying consolidated balance sheets, statements of operations, and cash flows, in accordance with FASB ASC 205-20, "*Presentation of Financial Statements – Discontinued Operations*".

Operating activity associated with the discontinued operations of Whaler's Village is included in the net income from discontinued operations on the accompanying statements of operations and consists of the following:

Food sales, net	$ 44,225
Cost of food sales	(17,131)
General and administrative costs	(61,802)
Gain on sale of equipment and settlement of lease liability	88,918
Income from Discontinued Operations	$ 54,210

Note 10: Going Concern

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern. As of December 27, 2015, the Company had negative working capital and stockholders' deficit. These conditions raise substantial doubt about its ability to continue as a going concern. The related entity RDI is in the process of selling some of its Ruby's Diner restaurants to unrelated parties, which will generate royalty revenues to the Company. Additionally, management is negotiating with a creditor to extend the maturity date of $1,000,000 note payable due in October 2016.

In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements, and the success of its future operations. Management believes that actions presently being taken to revise the Company's financial requirements provide the opportunity for the Company to continue as a going concern.

Note 11: Subsequent Events

Events occurring after December 27, 2015, have been evaluated for possible adjustment to the consolidated financial statements or disclosure as of August 5, 2016, which is the date the consolidated financial statements were available to be issued.

RUBY'S FRANCHISE SYSTEMS, INC.

UNAUDITED FINANCIAL STATEMENTS

For the Period December 28, 2015 through July 10, 2016

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Ruby's Franchise Systems, Inc.

Consolidated Balance Sheet

As of 7/10/2016

(Unaudited)

ASSETS	
Current Assets	
Cash	$ 99,262
Accounts Receivable	283,301
Prepaid Expenses	(303)
Property, Plant, & Equipment	2,314
Accumulated Depreciation	(1,205)
Amounts Due from Affiliates and Related Parties	(82,928)
Total Current Assets	300,440
Other Assets	
Other Assets	271,355
Total Other Asset	271,355
Total ASSETS	$ 571,795
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
License Fee Payable	$ 66,319
Lease Settlement Payable - WV	16,886
Gift Cards	1,506
Accounts Payable	283,209
Accrued Salaries, Wages, and Related Benefits	(817)
Accrued Liabilities	36,035
Payable to Affiliates and Related Parties	100,239
Total Current Liabilities	503,377
Long Term Liability	
Deferred Revenue	77,885
Long Term Debt & Capital Lease	2,826,897
Total Long Term Liability	2,904,781
Total Liabilities	3,408,158
Equity	
Equity	
Common Stock	11,696
Paid in Capital - GP	(1,242,690)
Accumulated Deficit	(1,105,369)
Notes Receivable from stockholders	(500,000)
Total Equity	(2,836,363)
Total Equity	(2,836,363)
Total LIABILITIES & EQUITY	$ 571,795

Ruby's Franchise Systems, Inc.

Consolidated Income Statement

For the Period 12/28/15 through 7/10/16

(Unaudited)

Corporate Revenue			
Corporate Revenue	$	1,029,270	100.0%
Corporate Expense			
Corporate Expenses		690,269	67.1%
Corporate Misc. Income & Expense		322	0.0%
Interest Expense			
Interest Expense		92,236	9.0%
Total Interest Expense		92,236	9.0%
Income Tax			
Income Tax Expense		800	0.1%
Net Profit	$	245,643	23.9%

EXHIBIT G.

CURRENT AND FORMER FRANCHISEES

FRANCHISED OUTLET INFORMATION

As of December 31, 2015

California

Anaheim
1128 W. Lincoln Ave.
Anaheim, CA 92805
(714) 635-7829
anaheim@rubys.com
(This location is operated pursuant to a license agreement)

Balboa
#1 Balboa Pier
Balboa, CA 92661
949-675-7829
Heritage Restaurant Management Inc.
(Joe Campbell & John Fisher)

Carlsbad
5630 Paseo Del Norte #130
Carlsbad, CA 92008
760-931-7829
Craig Reclh

Citadel
100 Citadel Drive #222
Los Angeles, CA 90040
323-382-7829
Joe Campbell

Orange
186 N. Atchison
Orange, CA 92866
714-639-7829
Ruby Orange Depot, LLC

Orange County John Wayne Airport
18601 Airport Way, Terminal B
Santa Ana, CA 92707
949-252-6125
HMS Host

Palos Verdes
550 Deep Valley Drive
Rolling Hills Estates, CA 90274
310-544-7829
F&M Foodservices, Inc.

Redondo Beach
245 N. Harbor Drive
Redondo Beach, CA 90277
310-376-7829
T. Randolph Howatt and Eladar Enterprises

San Juan Capistrano
31781 Camion Capistrano
San Juan Capistrano, CA 92675
949-496-7829
BHI (Joe Campbell & John Fisher)

Tustin
13102 Newport Avenue
Tustin, CA 92780
714-838-7829
George Gantes

Whittier
10109 Whittword Drive
Whittier, CA 90603
562-947-7829
F&M Foodservices, Inc.

Yorba Linda
21450 Yorba Linda Blvd.
Yorba Linda, CA 92887
714-779-7829
714-779-2333 (Fax)
yorbalinda@rubys.com

Nevada
Las Vegas
5757 Wayne Newton Blvd.
Las Vegas, NV 89119
702-261-7829
HMS Host

New Jersey
Atlantic City
1133 Boardwalk
Atlantic City, NJ 08401
609-789-8152
AC Food Hall Partners LLC (Bill White)

Pennsylvania
Ardmore
5 Coulter Ave.
Ardmore, PA, 19003
610-896-7829
DJR Ventures (Jim Schaffer)

Brinton Lake
919 Baltimore Pike
Glen Mills, PA, 19342
610-358-1983
DJR Ventures (Jim Schaffer)

King of Prussia
160 N. Gulph Rd.
King of Prussia, PA 19406
610-337-7829
DJR Ventures (Jim Schaffer)

Texas
Houston
3870 N. Terminal Rd. Space 44
Houston, TX 77032
281-821-1828
HMS Host

CERTAIN FORMER FRANCHISEES
As of December 31, 2015

California
LA Airport
201 World Way
Los Angeles, CA 90045
310-646-2480
HMS Host

Hawaii
Maui
275 W. Ha'ahumana Ave. #1G03
Kahului, Maui, HI 96732
808-248-7829
Kirk Baldridge

New Jersey
Newark
Newark Liberty Int. Airport, Terminal C-2
Newark, NJ 07114
973-824-8400
Paul Kolaj

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

COMPANY-OWNED OUTLET INFORMATION

As of December 31, 2015

California

Corona Del Mar
2305 E. Coast Hwy.
Corona Del Mar, CA 92625
949-673-7829
949-673-4838 (Fax)
coronadelmar@rubys.com

Costa Mesa
428 E. 17th St
Costa Mesa, CA 92627
949-646-7829
949-646-9164 (Fax)
17street@rubys.com

Costa Mesa – South Coast Plaza
3333 Bear St., Suite 120
South Coast Plaza - Costa Mesa, CA 92626
714-662-7829
714-662-0175 (Fax)
southcoast@rubys.com

El Cajon – Parkway Plaza
El Cajon, CA 92020
619-814-7829
elcajon@rubys/com

Huntington Beach
#1 Main St.
Huntington Beach, CA 92648
714-969-7829
714-969-1630 (Fax)
huntingtonbeach@rubys.com

Irvine
4602 Barranca Pkwy.
Irvine, CA 92604
949-552.7829
949-552.1722 (Fax)
irvine@rubys.com

Irvine Spectrum
57 Fortune Drive, Suite 240
Irvine, CA 92618
949-753-7829
spectrum@rubys.com

Laguna Beach
30622 Coast Highway
Laguna Beach, CA 92651
949-497.7829
949-499-0314 (Fax)
lagunabeach@rubys.com

Laguna Hills
24155 Laguna Hills Mall #1636
Laguna Hills, CA 92653
949-588.7829
949-588-0507 (Fax)
lagunahills@rubys.com

Long Beach
6405 E. Pacific Coast Highway
Long Beach, CA 90803
562-596-1914
562-596-1710 (Fax)
longbeach@rubys.com

Mission Valley
1640 Camino Del Rio N. #360P
San Diego, CA 92108
619-294-7829
619-294-7979 (Fax)
missionvalley@rubys.com

Mission Viejo
258 The Shops at Mission Viejo
Mission Viejo, CA 92691
949-481.7829
949-364-3306 (Fax)
missionviejo@rubys.com

Morongo
49000 Seminole Drive
Cabazon, CA 92230
951.849-3850
951-849-3860 (Fax)
morongo@rubys.com

Newport Coast – Ruby's Shake Shack
*(Operated under other entity)
7703 E. Coast Hwy.
Newport Coast, CA 92657
949-464.0100
shakeshack@rubys.com

Oceanside
1 Oceanside Pier
Oceanside, CA 92054
760-433-7829
760-433-9963 (Fax)
Oceanside@rubys.com

Palm Springs
155 S. Palm Canyon Drive
Palm Springs, CA 92262
760-406-7829
760-416-7834 (Fax)
palmsprings@rubys.com

Woodland Hills
6100 Topanga Canyon Suite 219
Woodland Hills, CA 91367
818-340-7829

EXHIBIT H.

LIST OF STATE REGULATORY AGENCIES AND ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Business Oversight California Department of Business Oversight	320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 500 St. Paul, MN 55101-2198
New York (State Administrator)	Office of the New York State Attorney General Investor Protection Bureau, Franchise Section	120 Broadway, 23rd Floor New York, NY 10271-0332 212-416-8236 Phone 212-416-6042 Fax
New York (Agent)	Attention: New York Secretary of State New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Securities	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	Virginia State Corporation Commission Division of Securities and Retail	1300 East Main Street, 9th Floor Richmond, VA 23219-3630
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703

EXHIBIT I.

STATE ADDENDA

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

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

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

The franchise agreement requires binding arbitration. The arbitration will occur in Orange County, California with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).
>
> The Franchise Agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.
>
> The Franchise Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.
>
> California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.
>
> The Franchise Agreement requires binding arbitration. The arbitration will occur in Orange County, California with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
>
> The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
________________________________	________________________________
By: ______________________________	By: ______________________________
Its:	Its:
Date: ____________________________	Date: ____________________________

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

> The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.
>
> Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.
>
> The Illinois Franchise Disclosure Act shall govern the Franchise Agreement.
>
> Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.
>
> Any release of claims or acknowledgments of fact contained in the Franchise Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Illinois Franchise Disclosure Act, or a rule or order under the Illinois Franchise Disclosure Act will be void and are deleted with respect to claims under the Illinois Franchise Disclosure Act.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Any claims franchisee may have under the Illinois Franchise Disclosure Act shall be governed by the Illinois Franchise Disclosure Act.
>
> Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.
>
> Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.
>
> Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to franchisee concerning nonrenewal and termination of this Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act shall control.
>
> Any release of claims or acknowledgments of fact contained in the Franchise Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Illinois Franchise Disclosure Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
______________________________	______________________________
By: ______________________________	By: ______________________________
Its:	Its:
Date: ____________________________	Date: ____________________________

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
>
> The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
______________________________	______________________________
By: ______________________________	By: ______________________________
Its:	Its:
Date: ______________________________	Date: ______________________________

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure), 180 days' notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

The Franchise Agreement contains a liquidated damages provision. This provision may not be enforceable under Minnesota law.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
________________________________	________________________________
By: ____________________________	By: ____________________________
Its:	Its:
Date: __________________________	Date: __________________________

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Item 3, Additional Disclosure. The last sentence in Item 3 is deleted and replaced with the following:

> Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.
>
> Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.
>
> Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

> Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17, Additional Disclosures. The following statements are added to Item 17:

> The New York Franchises Law requires that New York law govern any cause of action which arises under the New York Franchises Law.

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Franchise Agreement inconsistent with that law.

Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.
>
> Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.
>
> The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
______________________________	______________________________
By: ______________________________	By: ______________________________
Its:	Its:
Date: ____________________________	Date: ____________________________

<u>NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT</u>

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

<u>Item 17, Additional Disclosures</u>. The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.
>
> Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.
>
> The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.
>
> The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.
>
> The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.
>
> The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.
>
> The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.
>
> The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.
>
> The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.
>
> Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
___________________________________	______________________________________
By: ________________________________	By: _________________________________
Its:	Its:
Date: ______________________________	Date: ________________________________

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure. The following statement is added to Item 17:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
______________________________	______________________________
By: ______________________________	By: ______________________________
Its:	Its:
Date: ______________________________	Date: ______________________________

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

> Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).
>
> "According to Section 13.1 – 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> "According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground 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 the laws of Virginia, that provision may not be enforceable."

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
______________________________	______________________________
By: ______________________________	By: ______________________________
Its:	Its:
Date: ______________________________	Date: ______________________________

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure:

The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

<u>WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT</u>

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
>
> In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
>
> In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
>
> A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
>
> Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
______________________________	______________________________
By: ______________________________	By: ______________________________
Its:	Its:
Date: ______________________________	Date: ______________________________

EXHIBIT J.

MANUALS TABLE OF CONTENTS

EXHIBIT K.

RECEIPT

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 Ruby's Franchise Systems 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.

Several states, including 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 or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Ruby's Franchise Systems does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit "H."

The franchisor is Ruby's Franchise Systems, Inc., located at 201 Shipyard Way, Suite E, Newport Beach, California 92663. Its telephone number is (949) 644-7829.

Issuance Date: August 9, 2016

The name, principal business address, and telephone number of the franchise seller offering this Ruby's Diner franchise is:

☐ Mark Lyso, 201 Shipyard Way, Suite E, Newport Beach, California 92663, (949) 644-7829, ext. 158

☐ ____

Ruby's Franchise Systems' authorized the respective state agencies identified on Exhibit "H" to receive service of process for it in the particular state.

I have received a disclosure document dated August 9, 2016 that included the following Exhibits:

Exhibit "A"	Franchise Agreement	Exhibit "G"	Current and Former Franchisees
Exhibit "B"	Multi-Unit Development Agreement	Exhibit "H"	State Administrators and Agents for Service of Process
Exhibit "C"	Confidentiality Agreement		
Exhibit "D"	Guaranty	Exhibit "I"	State Addenda
Exhibit "E"	General Release	Exhibit "J"	Manuals Table of Contents
Exhibit "F"	Financial Statements	Exhibit "K"	Acknowledgement of Receipt

Date:______________________________ Prospective Franchisee: ___________________________

Copy for Franchisee

Please sign and date both copies of this receipt, keep one copy (this page) for your records, and mail one copy to the address listed on the front page of this disclosure document or send to Mark Lyso by email to mlyso@rubys.com or by fax to 949-644-4625.

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 Ruby's Franchise Systems 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.

Several states, including 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 or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Ruby's Franchise Systems does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit "H."

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Issuance Date: August 9, 2016

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☐ Mark Lyso, 201 Shipyard Way, Suite E, Newport Beach, California 92663, (949) 644-7829, ext. 158

☐ ____

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Exhibit "E"	General Release	Exhibit "J"	Manuals Table of Contents
Exhibit "F"	Financial Statements	Exhibit "K"	Acknowledgement of Receipt

Date:______________________________ Prospective Franchisee: ___________________________

Copy for Ruby's Franchise Systems, Inc.

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Mark Lyso by email to mlyso@rubys.com or by fax to 949-644-4625.