

## FRANCHISE DISCLOSURE DOCUMENT

WARABIMOCHI  K A M A K U R A

**KBM USA CO., LTD.**

a Japanese corporation

B1 Higashi ward office, 1 4 1 Shimokido

Higashi ward, Niigata city, Japan

Tel. +81-25-270-3080

Email: [kamakura.brand.management@gmail.com](mailto:kamakura.brand.management@gmail.com)

We offer subfranchise opportunities for the right to offer unit franchises for shops featuring Japanese sweets and beverages that operate under the Warabimochi Kamakura trademarks and operating system (each a “**Warabimochi Kamakura shop**”).

The total investment necessary to begin operation of a Warabimochi Kamakura subfranchisor business ranges from \$88,883 to \$226,667. This total includes \$1,388 to \$69,369 that must be paid to us and our affiliates before you begin offering Warabimochi Kamakura subfranchises. These amounts are expressed in U.S. Dollars (USD) for your convenience, based on an exchange rate, which will be charged to you in Japanese Yen (JPY).

This disclosure document summarizes certain provisions of your Master 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, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Shinji Tanaka, our CEO, at B1 Higashi ward office, 1 4 1 Shimokido, Higashi ward, Niigata city, Niigata prefecture, Japan, tel. +81-25-270-3080; <https://mensho.com/franchise/>.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

Issuance Date: November 12, 2025.

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise and development agreements require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support you.

5. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

6. **Supplier Control.** You must purchase all or nearly all the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

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

This disclosure document describes our subfranchise program for Warabimochi Kamakura shops in the United States. In this disclosure document, “we,” “us,” and “our” each mean KBM-USA Co., Ltd., the franchisor. “You” and “your” in this disclosure document collectively means the franchisee business entity and its owners.

**The Franchisor**

KBM-USA Co., Ltd. (“K&S”) is a Japanese corporation was formed on March 26, 2025 to offer franchises for Warabimochi Kamakura shops in the United States (each, a “**Franchised Shop**”). Our principal place of business is B1 Higashi ward office, 1-4-1 Shimokido, Higashi ward, Niigata city, Niigata prefecture, Japan. Since our founding in March 2025, we have been engaged in the business of operating Warabimochi Kamakura shops of the type to be operated by franchisees, and we have been offering franchises for this business since July 2025. Under this disclosure document, we offer the right to grant subfranchises for Warabimochi Kamakura shops in the United States under a Master Franchise Agreement (also referred to as “**MFA**”). We also intend to offer, under a separate disclosure document, area development rights for Warabimochi Kamakura shops in the United States under a separate Master Area Development Agreement. We have never offered franchises in any other line of business. We do not operate any Warabimochi Kamakura shops or conduct any other business at this time. We do not have any predecessors. **Exhibit B** to this disclosure document lists state officials that serve as our agents for service of process if we do business in those states.

**Our Parent, Affiliates and Predecessors**

We are wholly owned by K&S Co., Ltd. (“**Parent**”), a Japanese corporation formed on September 1, 2008 having the same principal address as us, that owns the Warabimochi Kamakura trademarks and a system for operating Warabimochi Kamakura shops (the “**WK Intellectual Property**”). In Japan, our Parent operates 52 shops similar to the franchises we offer under the Warabimochi Kamakura and Kanmidokoro Kamakura names, as well as coffee shops and hair salons under other brands. In 2024, our Parent licensed one unit in the United States. As of December 31, 2024, in addition to the one U.S. location, our Parent’s master franchisees operate and/or sublicense 16 Warabimochi Kamakura or Kanmidokoro Kamakura shops in Singapore, Hong Kong, mainland China, South Korea, the Philippines, Thailand, Malaysia, and Australia. Our Parent’s principal place of business is the same as ours.

**The Warabimochi Kamakura Franchise**

Warabimochi Kamakura shops offer and sell Japanese sweets and beverages, including Kamakura Warabimochi, a traditional dessert made freshly on-site using high-quality, Japanese-sourced honwarabi powder to create a unique, soft texture. A typical Warabimochi Kamakura shop is 240-860 square feet, with up to 20 seats. Customers may place their orders at the counter or via our mobile app.

Under the subfranchise program, you, as subfranchisor, will sign a Master Franchise Agreement (**Exhibit C**) granting you the right to issue subfranchises for Warabimochi Kamakura shops in a specified geographic area (“**Development Territory**”) according to a mutually-agreed upon development schedule (“**Development Schedule**”). In issuing subfranchises, you will sign a separate Subfranchise Agreement for each Warabimochi Kamakura shop, on the form of Subfranchise Agreement attached to the MFA as **Schedule 2**, as it may be modified by you at your discretion to the extent its terms and conditions do not conflict with the terms of the Master Franchise Agreement executed between you and us.

The Subfranchise Agreement explains the requirements of the franchise license, which grants the subfranchisee the right to operate a single Warabimochi Kamakura shop at a location that the subfranchisee chooses and you approve (“**Approved Location**”). The franchise license gives the subfranchisee the right to identify the Franchised Shop using the Warabimochi Kamakura trademark and logo appearing on the cover page of this disclosure document, as well as any other trade names, service marks, trademarks, logos, emblems, and indicia of origin that we designate and may modify at any time upon written notice during the term of the Subfranchise Agreement (collectively, “**Licensed Marks**”). The subfranchisee must operate its Franchised Shop in accordance with our comprehensive business methods, operating standards, policies, requirements and specifications (collectively referred to as the “**System**”).

During the term of the MFA and the Subfranchise Agreements, we may modify the System in the best interests of the Warabimochi Kamakura brand. We will make corresponding changes to the Manual and will notify you of all changes to the Manual by written or electronic bulletins or other announcements. You must require your subfranchisees to conform to all changes at their expense within the time that we allow, which will be reasonable for the specific type of change that we implement. Changes that we make to the Manual will not materially modify your rights or obligations under the MFA. While franchisees are required to obtain certain proprietary products from third-party suppliers (as described in Item 8), none of these suppliers of proprietary products are affiliates of K&S.

### **Industry-Specific Laws**

You will be responsible for investigating and complying with all laws applicable to the sale of franchises in the states in which you offer subfranchises. Applicable laws include the Federal Trade Commission’s Franchise Rule, 16 CFR 436, which governs the sale of franchises throughout the U.S. Many states also have laws affecting the franchise relationship. You should consider the effect of those laws and the cost of compliance. These laws may change, and it is your sole responsibility to investigate, comply, and stay current with them.

### **Market and Competition**

The market for restaurant franchises is well-established and competitive. Warabimochi Kamakura shops primarily attract young adults, but the concept can appeal to people of all ages. The segment of the market occupied by Warabimochi Kamakura shops is still emerging. Our competitors include Gong Cha, Matcha Ren, Matcha Café Maiko, Matcha & Mochi, It’s Boba Time, and Kung Fu Tea. Warabimochi Kamakura shops operate year-round and are not a seasonal business. You will compete not only with restaurant franchises for outlets serving desserts and beverages, but with franchises across all cuisines and a wide variety of service formats. Some competitors may have greater financial resources and longer operating histories than we have. You should take these competitive factors into account before deciding to purchase a Warabimochi Kamakura shop franchise.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Shinji Tanaka, Director and President**

Mr. Tanaka is the Director and the President of KBM-USA Co., Ltd., positions he has held since our formation in March 2025. Mr. Tanaka joined the business that became K&S Parent in 2008, and was appointed as a Director of that company in 2016. He has served as President and CEO of K&S Parent since March 2019, overseeing the development and expansion of the Warabimochi Kamakura. Mr. Tanaka is based in Niigata, Japan.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

**Initial Franchise Fee**

You must pay us an initial franchise fee in an amount to be negotiated between us and you depending on the Development Territory granted (the “**Initial Franchise Fee**”). This fee will range from \$1,389 to \$69,398. These amounts are expressed in U.S. Dollars (“**USD**”) for convenience, based on the JPY/USD exchange rate of ¥1 = \$0.006939 as published on June 13, 2025 (the issuance date of this Disclosure Document), and have been rounded up to the nearest whole dollar. All fees imposed on franchisees are denominated in Japanese Yen (“**JPY**”), and actual USD equivalents may fluctuate depending on the exchange rate in effect at the time of payment. The Initial Franchise Fee is due and payable when you sign the MFA unless otherwise agreed, fully earned by us when paid, and non-refundable.

For North Dakota franchisees, please see state addendum regarding deferral of initial fees.

**ITEM 6  
OTHER FEES**

Type of Fee (See Note 1)	Amount (See Note 2)	Date Due	Remarks
Royalty Fees (see Note 3)	40% of (i) the initial franchise fees collected from subfranchisees and (ii) royalty fees collected from subfranchisees based on the Gross Sales of their Franchised Shops	By the last day of each month, you will pay Royalty Fees related to (i) initial franchise fees collected from subfranchisees during the preceding month and (ii) royalty fees collected from subfranchisees for the preceding month	
Renewal Fee	\$10,410	Upon renewal	
Liquidated Damages	\$69,398	Upon demand after breach	This fee applies only in the event of a breach of the non-competition covenant.
False Statement Fee	\$69,398	Upon invoice	This fee applies only if you intentionally or through gross negligence report false monthly Gross Sales.

Type of Fee (See Note 1)	Amount (See Note 2)	Date Due	Remarks
Unauthorized Product Fee	\$69,398	Upon invoice	This fee applies only if you intentionally or through gross negligence report false monthly Gross Sales.
Termination Fee	\$69,398	Upon notice of termination	This fee applies only if we terminate the MFA for your breach.

**NOTES:**

- (1) All payments that we describe in Item 6 are non-refundable and must be paid in a lump sum.
- (2) All fees imposed on franchisees under this Disclosure Document are denominated in JPY. For the convenience of prospective franchisees, certain values in this Disclosure Document are expressed in USD based on the JPY/USD exchange rate of ¥1 = \$0.006939 published as of June 13, 2025, the issuance date of this Disclosure Document. The USD equivalents are rounded up to the nearest whole dollar, are approximate, and are subject to change based on fluctuations in the JPY/USD exchange rate at the time of payment. Franchisees will be required to make all payments in JPY, in a lump sum, as and when due.
- (3) “**Gross Sales**” means the aggregate of all revenue and income from operating the Franchised Shop, including the actual proceeds received from all sales of food, beverages or other goods, merchandise or services, whether payment is in cash, by credit card, gift cards (if we implement a gift card program), or other generally accepted form of payment including noncash payment systems like authorized loyalty cards. Gross Sales includes (i) the actual proceeds received from all sales of food, beverages or other goods, merchandise or services of any kind whether sold to customers for in-store dining, take-out or delivery; (ii) all proceeds from any business interruption insurance; (iii) revenue from the sale of menu items to employees; and (iv) the value of products and services bought by customers by redeeming authorized gift cards. Gross Sales excludes each of the following categories: (i) sales taxes and other taxes separately stated, if any, collected from customers and paid to taxing authorities; (ii) refunds and credits made in good faith to arms’ length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customers; (iv) proceeds from the sale of authorized gift cards to customers; (v) proceeds from isolated sales of trade fixtures having no material effect on ongoing operations; (vi) fixed service charges or voluntary tips paid by customers; and (vii) the value of menu items that you furnish to employees at no cost to the employee.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT  
MASTER FRANCHISE AGREEMENT**

Nature of Expenditure	Amount (See Note 2)	Payment Method (See Note 1)	When Due	Paid To
Initial Franchise Fee	\$1,389 - \$69,398	Lump Sum	When you sign the MFA or as otherwise agreed	Us
Legal Compliance for Franchise Sales (see Note 3)	\$67,500 - \$117,501	As Incurred	As Arranged	Lawyers
Additional Funds - 3 months (see Note 4)	\$20,001 - \$40,000	As Incurred	As Arranged	Employees and Suppliers
<b>Total</b>	<b>\$88,890 - \$226,899</b>			

**NOTES:**

- (1) Amount and Method of Payment. Amounts paid to us or our affiliates are not refundable. Whether costs paid to third parties are refundable will vary based on the practice in the area where your business is operating. We do not provide any direct or indirect financing for amounts paid to us or to third parties. If you meet third-party lender credit requirements, you may be able to obtain financing. The availability and terms of financing will depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and underwriting policies of the financial institutions from which you request a loan. We do not determine terms and conditions of any financing and we do not provide guarantees for any financing provided to you.
- (2) Expression of Franchise Fees. All fees imposed on franchisees under this Disclosure Document are denominated in JPY For the convenience of prospective franchisees, certain values in this Disclosure Document are expressed in USD based on the JPY/USD exchange rate of ¥1 = \$0.006939 published as of June 13, 2025, the issuance date of this Disclosure Document. The USD equivalents are rounded up to the nearest whole dollar, are approximate, and are subject to change based on fluctuations in the JPY/USD exchange rate at the time of payment. Franchisees will be required to make all payments in JPY, in a lump sum, as and when due.
- (3) Legal Compliance for franchise sales. This is an estimate of legal fees and costs to comply with applicable franchise and business opportunity sales laws during the initial three-month period, including the preparation of a Franchise Disclosure Document, state registration and exemption filings, and compliance with disclosure obligations under federal and state franchise and business opportunity laws. These legal costs may also include the review and customization of the Subfranchise Agreement and related documents by franchise counsel.
- (4) Additional Funds – 3 Months. This is an estimate of the additional working capital, in excess of revenue, that you may need to operate your subfranchisor business during the first three months of operation. The estimate includes labor expenses for 1 employee during the 3 months after you begin offering subfranchises, but does not include any salary to owners during the initial period. The estimate includes items like professional and accounting fees (outside of legal compliance costs for franchise sales), marketing expenses, insurance, payroll taxes, health insurance and workers’ compensation, bank charges, miscellaneous supplies and equipment, state tax and license fees. The expenses you incur during the initial period will depend on factors such as the time of year you open, the amount you pay your staff, the number of employees you hire, your experience and business acumen, competition, and the level of franchise sales you reach during the initial period.

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

**General Comments about System Standards**

To protect our reputation and goodwill and to maintain high standards of operation under the System, subfranchisees must operate their Franchised Shops in strict conformance with our System standards, including the methods, standards, and specifications we prescribe from time to time in the Manual or otherwise in writing.

The System standards may relate to any aspect of the appearance, function, cleanliness, and operation of the Franchised Shop. We may identify System specifications and requirements by (i) designating the specific equipment, ingredients, food items, beverage products or supplies that subfranchisees must or may use or sell by brand name, manufacturer, supplier, model number or minimum features or comparable specifications; (ii) providing you with recipes, menu names, and minimum standards for freshness and appearance of menu items; (iii) supplying you with renderings and sample layouts for the design and appearance of a Warabimochi Kamakura shop and or other detailed operating instructions and procedures; (iv) establishing standards for advertising featuring the Licensed Marks; or (v) a combination of these approaches.

These specifications and requirements promote uniformity among Warabimochi Kamakura shops, ensure consistency in the quality of the products and services that Warabimochi Kamakura shops serve to customers, and strengthen customer confidence in the Warabimochi Kamakura brand name. We formulate standards and specifications or their modification based on comprehensive evaluations, including taste testing and physical inspections conducted by a team of experts. We explain our current specifications in the Manual. We may revise our specifications in our discretion as frequently as we believe is necessary through written or electronic bulletins or supplements to the Manual. You must cause your subfranchisees to conform to all changes in our specifications at their cost, within the time we allow.

In establishing and operating your subfranchise business, you will not be required to purchase or lease goods and services from us, our affiliates or another designated supplier, or that must meet our specifications.

We estimate that the goods and services that your subfranchisees will be required to purchase or lease from us, our affiliates or another designated supplier, or meeting our specifications will amount to approximately 25%% of all purchases and leases that subfranchisees make to establish their Franchised Shop and approximately 50% of all ongoing purchases and leases that subfranchisees make to operate the Franchised Shop.

We had no franchisees as of the issuance date of this disclosure document and we have earned no revenue. In the last fiscal year, our Parent received JPY 1,000,000 (approximately \$6,940 USD) in revenue from required purchases of goods and services by its Warabimochi Kamakura franchisee in the United States. Our Parent earned approximately \$225,814 in revenue from required purchases of goods and services for fiscal year 2024, and approximately \$39,719 through August 30, 2025.

**Proprietary Products**

At this time, we are the exclusive supplier to our franchisees (and, through you, to your subfranchisees) of “**Proprietary Products**”, which currently include matcha, warabi powder, customized cups and other supplies, washi umbrella light fixtures, food display samples, mashers, and wooden lattice. In the future, we may expand the list of Proprietary Products that you must purchase from us or a designated

supplier. For example, in the future, we may expand the list of Proprietary Products by including additional proprietary ingredients, adding logo merchandise and other goods or packaging that display the Licensed Marks, or designing proprietary equipment and having it specially fabricated for Warabimochi Kamakura shops. We will notify you of changes to the list of Proprietary Products through updates to the Manual or other forms of written or electronic communications. We anticipate that we or our affiliates will remain the exclusive suppliers of all Proprietary Products. We derive revenue from the sale of Proprietary Products to our franchisees. We may set up a system for processing your payments for Proprietary Products through the same ACH payment system that we use to collect Royalty Fees.

### **Non-Proprietary Products and Services**

Besides Proprietary Products, we classify all other equipment, foods, condiments, beverages, ingredients, fixtures, furnishings, equipment, supplies and materials, and technology services, credit card processing services, and other products and services that subfranchisees may or must use, offer or sell in operating the Franchised Shop as “**Non-Proprietary Products and Services.**” We may provide minimum specifications for Non-Proprietary Products and Services in the Manual. In some cases, specifications may be by brand name.

We may designate third-party suppliers for certain Non-Proprietary Products and Services, including non-proprietary ingredients that subfranchisees will need to prepare menu items, and equipment, supplies, and other miscellaneous items. We identify the designated suppliers in the Manual. Currently, we require that subfranchisees purchase the mixing machine, hojicha (a type of Japanese green tea), and specialty brown sugar from a designated supplier. In the future, we may designate additional suppliers, including designating an affiliate of ours as a required or recommended supplier of Non-Proprietary Products and Services.

If we do not designate a supplier for a particular item of Non-Proprietary Products and Services, subfranchisees may purchase or lease the Non-Proprietary Products and Services from any recommended or approved third-party supplier. If we do not propose a third-party supplier, you may select one in your local market and require your subfranchisees to purchase from that supplier.

We or one of our affiliates may derive revenue on account of your transactions with designated third party suppliers of Non-Proprietary Products and Services. At this time, we have no arrangements in place with a designated supplier of Non-Proprietary Products and Services to pay us revenue or other material benefits on account of their transactions with our franchisees. However, in the future, we or our affiliates may arrange with designated suppliers of Non-Proprietary Products and Services whereby they pay us or our affiliates a percentage or fixed amount of the revenue from their transactions with our franchisees or some other material benefit.

### **Purchasing Arrangements**

There currently are no purchasing or distribution cooperatives in place. We have no purchasing arrangements in place at this time other than for Proprietary Products. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

We and our affiliates may earn a profit on any goods or services that we or they sell to you and other Warabimochi Kamakura franchisees and subfranchisees, and may receive rebates or other consideration or benefits from unaffiliated third-party suppliers with respect to their sales of products or services to you or other Warabimochi Kamakura franchisees or subfranchisees.

### **Alternative Suppliers of Proprietary Products and Non-Proprietary Products and Services**

We may allow alternative suppliers if they are able to meet the standards established by us. Specifically, an alternative supplier must:

- Be able to provide ingredients, equipment, and other approved products in the quantities and within the timeframes we specify;
- Demonstrate a strong reputation for quality and reliability in the food and beverage industry;
- Comply with all applicable health, safety, and food handling regulations, and provide products that meet our specifications for taste, quality, and consistency; and
- Maintain appropriate insurance coverage and bonding as required by us.

In addition, alternative suppliers must agree to comply with our specifications for packaging, presentation, and branding, including the use of our Proprietary Marks where applicable, to ensure consistency across all Warabimochi Kamakura shops.

At this time, no alternative suppliers have been approved for Warabimochi Kamakura products. If a franchisee submits an alternative supplier for consideration, we will notify the franchisee within six (6) months whether the supplier has been approved. Approval of an alternative supplier may be revoked if the supplier fails to continue meeting the requirements described above. Currently, there is no fee to apply for or obtain approval of an alternative supplier.

### **Additional Disclosures Regarding Suppliers**

We or an affiliate may be a designated or approved supplier. To that extent, our officers who also are owners of our company have an interest in a supplier, namely us or the affiliate supplier. Otherwise, at this time, no officer of our company owns an interest in any required, recommended or approved supplier of products or services to our franchisees, except for a nominal interest, if any, in a supplier that is a public company.

### **Insurance**

Before undertaking any activities in connection with your franchise, you must obtain appropriate insurance, at your expense. This insurance must protect you, us, and our affiliates against any loss, liability or expense arising from the operation of your subfranchise business.

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

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

<b>Obligation</b>	<b>MFA Section</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Not applicable	Not applicable
b. Pre-opening purchases/leases	Not applicable	Not applicable

Obligation	MFA Section	Disclosure Document Item
c. Site development and other pre-opening requirements	Not applicable	Not applicable
d. Initial and ongoing training	Not applicable	11
e. Opening	Not applicable	Not applicable
f. Fees	Article 4	5, 6 and 7
g. Compliance with standards and policies/Operating Manual	Article 7	11 and 14
h. Trademarks and proprietary information	Articles 7.1.1 and 10.3	13 and 14
i. Restrictions on products/services offered	Article 1.2	8 and 16
j. Warranty and guest service requirements	Not applicable	Not applicable
k. Territorial development and sales quotas	Article 3.1 and Schedule 1	1 and 12
l. Ongoing product/service purchases	Article 8	7 and 8
m. Maintenance, appearance and remodeling requirements	Not applicable	Not applicable
n. Insurance	Article 6	7 and 8
o. Advertising	Article 5.3	11
p. Indemnification	Not applicable	Not applicable
q. Owner's participation/management/staffing	Not specified	Not applicable
r. Records and reports	Article 5	11
s. Inspections and audits	Article 5	11
t. Transfer	Articles 9.1 and 13.2	17
u. Renewal	Articles 11.2, and 11.3	17
v. Post-termination obligations	Article 12.5	17
w. Non-competition covenants	Article 2	17
x. Dispute resolution	Article 13.7	17

## ITEM 10 FINANCING

We do not offer direct or indirect financing to franchisees. We will not guarantee your promissory note, lease, or other obligation.

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

Except as listed below, neither we nor our affiliates are required to provide you with any assistance.

### **Our Obligations Before Opening**

After you sign the Master Franchise Agreement, we will provide you with access to our Manual for the term of the Master Franchise Agreement, which contains mandatory and suggested specifications, standards, and operating procedures. (MFA, Article 7) We intend to furnish the Manual in an electronic

format. We classify the content in the Manual as our Confidential Information. Upon termination or expiration of the MFA, you must permanently remove any electronic content from your computers without saving a copy. We may modify the Manual at any time without prior notice by issuing written or electronic supplements, which we will promptly share with you. We attach as **Exhibit E** a copy of the table of contents of our current version of the Manual indicating the approximate number of pages devoted to each subject. The Manual is 49 pages long. We may update the Manual as frequently as we feel is necessary and will inform you of changes through email updates.

### **Typical Length of Time Between Signing Master Franchise Agreement and Opening Date**

We estimate that the length of time between when you sign the MFA and the date you begin offering subfranchises will be approximately one month. This timing will vary based on how long it takes for you to complete your franchise disclosure document and complete the registration or exemption process in any states with applicable requirements.

### **Continuing Obligations**

After you open the subfranchisor business, we or an affiliate of ours that we designate will sell and arrange delivery of the quantity of Proprietary Products that you and your subfranchisees order. We will also provide recipes for new or seasonal menu items. (MFA, Article 7.1) We also have the right to inspect your operations and audit your business records. (MFA, Article 5.10)

### **Advertising Services**

You will be responsible for marketing and selling your subfranchises, and must comply with our brand standards and all applicable laws in doing so. At this time, there are no advertising cooperatives and no co-op fees or contributions in the United States. We do not have an advertising council composed of franchisees that advises us regarding advertising and promotional programs or policies for promoting Warabimochi Kamakura shops in the United States, but you may create and maintain one.

### **POS System and Computer System Requirements**

We do not require you to use a particular payment processing and data collection system (“POS system”), but you may require one for your subfranchisees to use in operating their Franchised Shops. You must prepare and submit monthly royalty statements following generally accepted accounting principles in the United States. We do not recommend or require use of a particular brand of accounting software, but you may require your subfranchise to use a particular system to facilitate sales reporting and royalty collection.

### **Training**

We do not provide an initial training program.

## **ITEM 12 TERRITORY**

You will receive an exclusive territory within which you may grant subfranchises, defined by state boundaries, subject to the protected area(s), if any, of existing Warabimochi Kamakura locations. You may not offer or sell a subfranchise in any area that includes the protected area of another Warabimochi Kamakura shop. Your rights as a subfranchisor are not contingent on achieving any minimum sales level or other kind of sales or market penetration contingency. We will not modify your territory depending on

your performance or due to changes in the population or other demographic characteristics of your market area.

We require you to use commercially reasonable efforts to meet the development quota of unit franchises stated in the MFA. If we find that you have intentionally failed to meet this development quota, we have the right to immediately terminate your rights under the MFA. Other than this, we do not have the right to change your territorial exclusivity or modify the boundaries of your territory.

During the term of the MFA, provided that you are in compliance with the terms of the MFA, we and our affiliates will not operate, or license third parties other than our existing franchisee Kanmi Inc. to operate, any new Warabimochi Kamakura shops in the United States.

During the term of the MFA, we will not make sales of any services or products under the Licensed Marks to consumers within your territory through any means or channels of distribution. We reserve the right to offer, sell, and use other channels of distribution to promote and sell products or services under marks other than the Licensed Marks within your territory. We have no specific obligation to compensate you for any sales within your territory.

You are prohibited from offering or selling subfranchises outside of the territory by any means. We do not operate and have no plans to operate a similar franchise business under a different trademark.

### **ITEM 13 TRADEMARKS**

Under the MFA, we grant you a non-exclusive license to use and sublicense the Licensed Marks during the term of the MFA and subject to specific conditions. Licensed Marks means the trade names, trademarks, service marks and logos that we now or in the future designate and may modify that identify Warabimochi Kamakura shops and the goods and services sold at Warabimochi Kamakura shops.

Our principal trademark is not yet registered with the United States Patent and Trademark Office (“USPTO”) as of the Issuance Date of this Disclosure Document. Therefore, our principal trademark do not have the legal benefits and rights of a federally registered trademark. If your right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. Your right to use the Licensed Marks is subject to strict rules. You may not use any part or feature of the Licensed Marks in your corporate, fictitious or other business entity name or with any prefix, suffix or other modifying words, terms, designs, colors or symbols.

You may not use the Licensed Marks to sell any unauthorized products or services, in a way contrary to our instructions, or in a way that could result in our liability for your debts or cause us to be deemed to be the employer of your employees. You must follow our instructions for identifying yourself as the independent owner of the subfranchisor business. You must maintain appropriate trade name or fictitious name registrations. You may not use any other trademarks or service marks in combination with the Licensed Marks without our prior written approval. When you use the Licensed Marks, you must apply the special trademark symbols and ownership information that we designate.

Our Parent has filed the following application to register the Licensed Mark shown below with the United States Patent and Trademark Office (“USPTO”) on the Principal Register based on actual use:

Mark	Serial No.	Filing Date
WARABIMOCHI  K A M A K U R A	98849714	11/12/2024

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Our Parent has granted us a perpetual license to sublicense all of the Licensed Marks in connection with the issuance of Warabimochi Kamakura subfranchises in the United States. The license obligates us to make all required submissions to obtain registration and to file all required affidavits to keep these and any future USPTO registrations in effect. If the license agreement were to terminate, our Parent would immediately assume all of our obligations to you and to your subfranchisees. Our license from our Parent does not significantly limit our right to use or license the use of any of the Licensed Marks in any manner material to the franchise or subfranchises. There are no other agreements that limit our right to use or license the use of the Licensed Marks.

Neither we nor our Parent is aware of any of the following involving the Licensed Marks: (i) any currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court; (ii) any pending infringement, opposition, or cancellation proceedings; or (iii) any material litigation. Neither we nor our Parent is aware of any infringing uses or prior superior rights of marks that are confusingly similar to the Licensed Marks that could materially affect your use or sublicensing of the Licensed Marks in connection with your subfranchise business or the Franchised Shops of your subfranchisees.

In the MFA, you acknowledge that, between the two of us, we own superior rights in the Licensed Marks. You agree that you will not do anything inconsistent with our rights. You may not challenge our legal rights to use or license the Licensed Marks or the validity of the Licensed Marks. You must supply us with specimens of all uses of the Licensed Marks upon request. All activities that you engage in with the Licensed Marks must conform to the standards for quality and other specifications that we establish.

You must notify us immediately if you learn about (i) any improper use of the Licensed Marks, (ii) a third party's use of a mark or design that is confusingly similar to any of the Licensed Marks, or (iii) any challenge to your use of any of the Licensed Marks. We will take whatever action we think is appropriate under the circumstances (including taking no action), and we or our Parent (the ultimate owner of the Licensed Marks) will control the prosecution, defense, or settlement of any legal action. You must cooperate and assist us in defending our rights in the Licensed Marks with regard to any third-party claims. You and your owners and management must agree not to communicate with any person other than us and our counsel about any infringement, challenge, or claim. You may not take any action in your own name. Unless we establish that a third-party claim is due to your misuse of the Licensed Marks, we will defend you in matters relating to your proper use of the Licensed Marks.

We may modify the Licensed Marks or substitute or add different marks to identify Warabimochi Kamakura shops and the System. You must promptly implement any modification or substitution at your own cost and expense. We will have no obligation or liability to you as a result of the modification or substitution.

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

There are no patents that are material to the franchise rights that we offer to you. We also have no pending patent applications that are material to the franchise.

We claim common law copyright rights in the Manual, trade dress, beverage designs, marketing and promotional materials, training materials, and other written materials that we provide to you. While we have not registered any of these materials with the U.S. Copyright Office, we consider all of these

materials as our intellectual property and claim legal rights as the owner and creator or licensee of these materials.

You may use the Manual only to operate and promote your subfranchise business during the term of the MFA and only in the manner that we authorize for you to operate your subfranchise business. Except as necessary to exercise your rights or perform your obligations under the MFA, you may not duplicate, copy, disclose or disseminate the contents of the Manual without our prior consent. We may modify the Manual at any time. We will notify you of all changes in writing and you must promptly adopt the changes at your cost. You must physically return all copies of the Manual or print-outs in your possession or delete electronic content from your computer and not retain any copies when the MFA expires or terminates. You must keep the Manual (or, if we provide you with more than one copy, each copy of the Manual) confidential, updated and in a secure or locked receptacle when not in use. If there is a dispute over the current version of the Manual, the terms of our master copy will control. If you lose any volume of the Manual that we furnish in physical format or that you print out, we may charge you a replacement fee.

We are not aware of any agreements or third-party claims of infringing uses that might limit our, or your, use of the Manual. We are not aware of any current determinations of the Copyright Office or any court, or any pending interference, opposition or cancellation proceedings or material litigation involving any materials in which we claim a copyright or regard as proprietary or as our trade secret.

The form of Subfranchise Agreement (**Exhibit C, Schedule 2**) broadly defines the scope of information that we regard as “**Confidential Information.**” Whether we share Confidential Information with you or you discover Confidential Information independently, you may not divulge Confidential Information or the results of your operations except to your employees and representatives who must know the information in order to carry on their employment duties or render professional advice to you. You will be responsible for enforcing your subfranchisees’ obligations under their Subfranchise Agreements with respect to Confidential Information.

The MFA requires you to follow the requirements of the System unless you first obtain our prior written approval to make modifications or improvements to the System. You may have new ideas that you want to introduce to us, and we encourage this. If you develop improvements to the System and obtain our approval, you may allow your subfranchisees to use them. However, if you localize any aspects of the System with our written consent, any and all intellectual property rights in such aspects as localized by Master Franchisee shall be the sole property of Master Franchisee.

If you bring a third-party claim to our attention that involves any other intellectual property besides the Licensed Marks, we will take whatever action we think is appropriate under the circumstances (including taking no action) and control the prosecution, defense, or settlement of any legal action. You must cooperate and assist us in defending our rights in the particular intellectual property at issue. You and your owners and management must agree not to communicate with any person other than us and our counsel about any infringement, challenge, or claim. You may not take any action in your own name. Unless we establish that a third-party claim is due to your misuse of the Manual or any other Confidential Information or proprietary materials that we allow you to use and classify as intellectual property, we will defend you in matters relating to your use of the intellectual property.

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

You must devote the requisite time, energy, and best efforts to meet your obligations to us under the Master Franchise Agreement. You will exercise complete control over and responsibility for your

employees. As the employer, you will make all hiring and firing decisions and establish your own employment policies. All employees that you hire must be competent, conscientious, and properly trained by you to perform their duties. You are responsible for the performance of your employees and agents.

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

You may only offer subfranchises on a form of Subfranchise Agreement approved by us, subject to modifications you negotiate with subfranchisees in the ordinary course of business. You must also ensure that your promotional and marketing activity meets our brand standards.

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

**The Franchise Relationship**

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

**Master Franchise Agreement (“MFA”)**

PROVISION	MFA SECTION	SUMMARY
A. Length of the franchise term	Article 11.1	The initial term begins when you sign the MFA and ends 10 years after the opening date of the first subfranchised Franchised Shop.
B. Renewal or extension of the term	Article 11.2	The MFA may be renewed for consecutive 10-year terms.
C. Requirements for franchisee to renew or extend	Article 12.2	The MFA will automatically renew for successive 10-year terms provided that the following conditions are met: (i) you have not given written notice of non-renewal at least 90 days prior to the expiration of the then-current term, and (ii) at the time of renewal, you are not in violation of any obligations under this MFA. Upon renewal you must pay the renewal fee of \$104,095 (See Note 1).
D. Termination by franchisee	Article 12.1	You may terminate the MFA upon at least 180 days’ notice to Company.
E. Termination by franchisor without cause	Not applicable	Termination without cause is only possible by mutual agreement.
F. Termination by franchisor with cause	Articles 12.2 and 12.3	We may only terminate the MFA for good cause based on your material default. This disclosure is subject to state law. See State-Required Addenda, <b>Exhibit D</b> . Termination of the MFA will not automatically result in the termination of any other agreement between us or our affiliate and you or your affiliate.
G. “Cause” defined (curable defaults)	Article 12.3	Except for defaults that the MFA identifies as not curable, if you materially breach the MFA and fail to cure the breach within the prescribed period after notice from Company, we can terminate the MFA. This disclosure is subject to state law. See State-Required Addenda, <b>Exhibit D</b> .
H. “Cause” defined (non-curable defaults)	Articles 12.2 and 12.3.2 - 12.3.5	The MFA identifies the following non-curable defaults: you being subject to seizure, provisional seizure, or provisional disposition; you engaging in actions or making statements that damage the social credibility of us or the franchise group, you being found to involved with anti-social forces, such as organized crime groups, and you intentionally failing to meet the Development Quota.
I. Franchisee’s obligations on	Articles 12.4 and 12.5	If the MFA is terminated by us due to your breach, you must pay \$69,397 (See Note 1); immediately cease using all trademarks and other materials provided under the MFA and

PROVISION	MFA SECTION	SUMMARY
termination/non-renewal		related agreements; and complete the following within 20 days: (i) return any returnable materials and documents provided by us; (ii) confirm and sign documents issued by us regarding the termination; (iii) remove all signage and cease using and other materials bearing the Licensed Marks; and (iv) delete all past posts on social media or blogs related to the Franchised Shops unless instructed otherwise by Company. This disclosure is subject to state law. See State-Required Addenda, <b>Exhibit D</b> .
J. Assignment of contract by franchisor	Not applicable	We do not have a contractual right to assign the MFA.
K. "Transfer" by franchisee: definition	Articles 9.1 and 13.2	The MFA is a personal service contract. You are prohibited from transferring, delegating, entrusting, or loaning to third parties, the MFA without our approval.
L. Franchisor approval of transfer by franchisee	Article 13.2	Any transfer of the MFA requires our approval, which will not be unreasonably withheld.
M. Conditions for franchisor approval of transfer	Not applicable	None specified.
N. Franchisor's right of first refusal to acquire franchisee's business	Not applicable	None.
O. Franchisor's option to purchase your business	Not applicable	None
P. Death or disability of franchisee	Not applicable	The MFA does not contain any provision relating to death or disability of the franchisee. Certain states have laws that protect a franchisee or their estate from termination under some circumstances in the event of their death or disability. See State-Required Addenda, <b>Exhibit D</b> .
Q. Non-competition covenants during the term of the franchise	Articles 2.1 and 2.3	The MFA forbids you and your directors, officers, and other related parties from engaging, directly or indirectly, in any business similar to Warabimochi Kamakura shops during the term of the MSA, except a franchise agreement with us and with our prior written approval. In the event of breach, you must pay us liquidated damages in the amount of \$69,397 (See Note 1). This disclosure is subject to state law. See State-Required Addenda, <b>Exhibit D</b> .
R. Non-competition covenants after the franchise terminates or expires	Articles 2.2 and 2.3	The MFA forbids you and your directors, officers, and other related parties from engaging, directly or indirectly, in any business similar to Warabimochi Kamakura shops for three years after termination of the MSA, except a franchise agreement with us and with our prior written approval. In the event of breach, you must pay us liquidated damages in the amount of \$69,396 (See Note 1).
S. Modification of the agreement	Article 13.8	The MFA may not be modified except by a written agreement that both of us sign. As noted throughout this disclosure document, the MFA, among other things, gives us the right to modify or change the System in our discretion through changes in the Manual if the changes do not fundamentally alter your rights under the MFA.
T. Integration/merger clause	Article 13.8	Only the terms of the MFA are binding (subject to state law). Nothing in the MFA requires you to waive or disclaim any of the representations that we make in this disclosure document. Any representations or promises outside of this disclosure document and other agreements may not be enforceable.

PROVISION	MFA SECTION	SUMMARY
U. Dispute resolution by arbitration or mediation	Not applicable	The MFA does not contemplate mediation or arbitration.
V. Choice of forum	Article 13.8	The Tokyo District Court or Tokyo Summary Court shall have exclusive jurisdiction for the first instance over any disputes arising from or related to the MFA. Certain states have laws that supersede the choice of forum in the MFA and require that a lawsuit be brought in the state or federal courts in the franchisee's home state. See State-Required Addenda, <b>Exhibit D</b> .
W. Choice of law	Article 13.6	Japanese law applies. Certain states have laws that supersede the choice of law provision in the MFA. If your Franchised Shop is in one of these states, the applicable state law will apply. See State-Required Addenda, <b>Exhibit D</b> .

- (1) All fees imposed on franchisees under this Disclosure Document are denominated in JPY. For the convenience of prospective franchisees, certain values in this Disclosure Document are expressed USD based on the exchange rate published by Mitsubishi UFJ Financial Group's Global Markets Research Division as of May 30, 2025 and are rounded up to the nearest whole dollar. The USD equivalents are approximate and subject to change based on fluctuations in the JPY/USD exchange rate at the time of payment. Franchisees will be required to make payments in JPY.

## ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote Warabimochi Kamakura franchises.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Shinji Tanaka, our CEO, at B1 Higashi ward office, 1 4 1 Shimokido, Higashi ward, Niigata city, Niigata prefecture, Japan, tel. +81-25-270-3080, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

As of the issuance date of this disclosure document, there are no Warabimochi Kamakura subfranchisors existing in the United States.

**Table No. 1**  
**Systemwide Outlet Summary For Years 2022 to 2024 (U.S. Locations Only)**

Outlet Type	Year	Outlets at Start of the Year	Outlets at End of the Year	Net Change
Franchised Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	0	0

**Table No. 2**  
**Transfers of Outlets by Franchisees For Years 2022 to 2024 (U.S. Locations Only)**

State	Year	Number of Transfers
Total	2022	0
	2023	0
	2024	0

\* States not listed had no activity to report.

**Table No. 3**  
**Status of Franchised Outlets For Years 2022 to 2024 (U.S. Locations Only)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Us	Ceased Operations - Other Reason	Outlets at End of Year
Total	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

\* States not listed had no activity to report.

**Table No. 4**  
**Status of Company-Owned Outlets For Years 2022 to 2024 (U.S. Locations Only)**

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisee	Outlets Closed	Sold to Franchisee	Outlets at End of Year
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

\* States not listed had no activity to report.

**Table No. 5**  
**Projected Openings in Fiscal Year 2025 (U.S. Locations Only)**

State	MFA Signed but Outlet Not Open as of 3/26/2025	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Multi-State (TBD)	0	1	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>

\* States not listed had no activity to report.

**Exhibit F** contains a list of the operating Warabimochi Kamakura shops in the United States as of the Issuance Date of this disclosure document. There are no franchisees in the United States whose franchise was terminated, canceled, or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under an MFA during the most recently completed fiscal year or have not communicated with us during the 10 weeks before the issuance 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.

We have not signed any confidentiality clauses with any current or former franchisee which would restrict them from speaking openly with you about their experience with us.

We have not created, sponsored, or endorsed any trademark-specific franchisee organization, and no independent franchisee organization has requested to be included in this disclosure document.

## ITEM 21 FINANCIAL STATEMENTS

**Exhibit G** contains our audited opening balance sheet as of March 26, 2025. Exhibit G contains our audited opening balance sheet as of March 26, 2025, which was prepared in accordance with U.S. generally accepted accounting principles and audited by an independent certified public accountant. We have not yet been in business for three full fiscal years and therefore do not have audited financial statements for the periods that would otherwise be required under this Item, including income statements, statements of stockholders' equity, and statements of cash flows. Our fiscal year ends on August 31. We will include additional financial statements in future disclosure documents as they become available.

## ITEM 22 CONTRACTS

Attached as Exhibits to this disclosure document are the following contracts:

- Exhibit C**      Master Franchise Agreement  
                      Schedule 1 – Term Sheet  
                      Schedule 2 – Form of Subfranchise Agreement
- Exhibit D**      State-Required Addenda

## ITEM 23 RECEIPTS

Two copies of an acknowledgment of receipt appear at the end of this disclosure document. Please fill out and sign both receipts, return one copy to us and keep the other for your records.

## EXHIBIT A TO FDD

### STATE FRANCHISE ADMINISTRATORS

Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws:

<p><b>California</b> State of California Department of Financial Protection and Innovation 320 W. 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 1 (866) 275-2677 <a href="mailto:ask.dfpi@dfpi.ca.gov">ask.dfpi@dfpi.ca.gov</a></p>	<p><b>Hawaii</b> Hawaii Commissioner of Securities Department of Commerce &amp; Consumer Affairs Business Registration Division State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2744</p>
<p><b>Illinois</b> Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p><b>Indiana</b> Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p>
<p><b>Maryland</b> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p>	<p><b>Michigan</b> Michigan Department of Commerce Corporation &amp; Securities Bureau Attn: Franchise Section G. Mennen Williams Building, 1<sup>st</sup> Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117</p>
<p><b>Minnesota</b> Minnesota Department of Commerce Franchise Section 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 296-6328</p>	<p><b>New York</b> Investor Protection Bureau NYS Department of Law 28 Liberty Street, 21<sup>st</sup> Floor New York, New York 10005 (212) 416-8222</p>
<p><b>North Dakota</b> North Dakota Securities Department State of North Dakota 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p><b>Oregon</b> Department of Consumer &amp; Business Services Division of Finance &amp; Corporate Securities State of Oregon Labor and Industries Building Salem, Oregon 97310 (503) 378-4140</p>

<p><b>Rhode Island</b>  Division of Securities  John O. Pastore Complex Bldg. 69-1  1511 Pontiac Avenue  Cranston, Rhode Island 02920  (401) 222-3048</p>	<p><b>South Dakota</b>  Division of Insurance  Securities Regulation  State of South Dakota  124 S. Euclid, Suite 104  Pierre, South Dakota 57501  (605) 773-3563</p>
<p><b>Virginia</b>  State Corporation Commission  Division of Securities and Retail Franchising  1300 East Main Street, 9th floor  Richmond, Virginia 23219  (804) 371-9051</p>	<p><b>Washington</b>  Department of Financial Institutions  Securities Division  State of Washington  150 Israel Rd. SW  Tumwater, Washington 98501  (360) 902-8738</p>
<p><b>Wisconsin</b>  Division of Securities  Department of Financial Institutions  Wisconsin Commissioner of Securities  4822 Madison Yards Way, North Tower  Madison, Wisconsin 53705  (608) 266-8559</p>	

**EXHIBIT B TO FDD**

**AGENTS FOR SERVICE OF PROCESS**

<p><b>California</b> Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation State of California 320 W. 4th Street, Suite 750 Los Angeles, California 90013-2344</p>	<p><b>Hawaii</b> Hawaii Commissioner of Securities Department of Commerce &amp; Consumer Affairs Business Registration Division State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813</p>
<p><b>Illinois</b> Office of Attorney General State of Illinois 500 South Second Street Springfield, Illinois 62706</p>	<p><b>Indiana</b> Secretary of State State of Indiana 201 State House 200 West Washington Street Indianapolis, Indiana 46204</p>
<p><b>Maryland</b> Maryland Securities Commissioner 200 Saint Paul Place Baltimore, Maryland 21202-2020</p>	<p><b>Michigan</b> Michigan Department of Commerce Corporation &amp; Securities Bureau G. Mennen Williams Building, 1<sup>st</sup> Floor 525 West Ottawa Street Lansing, Michigan 48933</p>
<p><b>Minnesota</b> Commissioner of Securities Minnesota Department of Commerce, Franchise Section 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198</p>	<p><b>New York</b> Secretary of State 99 Washington Avenue Albany, New York 12231</p>
<p><b>North Dakota</b> Securities Commissioner North Dakota Securities Department State of North Dakota 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510</p>	<p><b>Oregon</b> Department of Consumer &amp; Business Services Division of Finance &amp; Corporate Securities State of Oregon 350 Winter Street, N.E., Room 21 Salem, Oregon 97310</p>
<p><b>Rhode Island</b> Director of Business Regulation Department of Business Regulation State of Rhode Island 1511 Pontiac Ave. John O. Pastore Complex - Bldg 69-1 Cranston, Rhode Island 02920</p>	<p><b>South Dakota</b> Division of Insurance Securities Regulation State of South Dakota 124 S. Euclid, Suite 104 Pierre, South Dakota 57501</p>

<p><b>Virginia</b>  Clerk of the State Corporation Commission  1300 East Main Street, 1st Floor  Richmond, Virginia 23219</p>	<p><b>Washington</b>  Director of Financial Institutions  Securities Division  State of Washington  150 Israel Rd. SW  Tumwater, Washington 98501</p>
<p><b>Wisconsin</b>  Commissioner of Securities  Wisconsin Securities Commission  4822 Madison Yards Way, North Tower  Madison, Wisconsin 53705</p>	

**EXHIBIT C TO FDD**  
**MASTER FRANCHISE AGREEMENT**

WARABIMOCHI  KAMAKURA

**MASTER FRANCHISE AGREEMENT**

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**SCHEDULES**

**Schedule 1** – Term Sheet

**Schedule 2** – Form of Subfranchise Agreement

**WARABIMOCHI KAMAKURA  
MASTER FRANCHISE AGREEMENT**

This Master Franchise Agreement (“**Agreement**”) is made as of \_\_\_\_\_ (“**Effective Date**”) by and between KBM-USA Co., Ltd., a Japanese corporation (“**Company**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Master Franchisee**”).

**RECITALS**

A. Warabimochi Kamakura shops feature Japanese sweets, including warabimochi (a traditional dessert made using high-quality, Japanese-sourced honwarabi powder), and a variety of beverages. Warabimochi Kamakura shops operate under the trade name “**Warabimochi Kamakura**” and in accordance with comprehensive, distinctive and uniform business methods, standards and specifications (the “**System**”) developed and owned by K&S Co., Ltd. a Japanese corporation (“**K&S**”).

B. K&S has granted Company a perpetual license to sublicense all of the Licensed Marks in connection with the issuance of subfranchise agreements to develop and operate Warabimochi Kamakura shops in the United States (“**Subfranchise Agreements**”).

C. Master Franchisee desires to obtain the exclusive right to grant subfranchises to third parties to operate Warabimochi Kamakura shops in the Development Territory, and Company is willing to grant such rights to Master Franchisee on the terms and conditions of this Agreement. This Agreement is concluded based on mutual trust, aiming for the maintenance and development of the Warabimochi Kamakura franchise system, mutual benefit, and a long-term cooperative relationship.

For the convenience of the franchisee, all fees set forth in this Agreement are expressed in U.S. Dollars (“**USD**”), based on an exchange rate of ¥144.10 = \$1.00, as published by Mitsubishi UFJ Financial Group’s Global Markets Research Division on May 30, 2025; and

Notwithstanding the use of USD equivalents, all fees imposed on the franchisee shall be denominated in Japanese Yen (“**JPY**”), and the actual USD amounts payable may fluctuate based on the exchange rate in effect at the time of payment;

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

**ARTICLE 1 (Relationship)**

1.1. Company and Master Franchisee are independent business entities. Master Franchisee does not represent Company in any capacity, and Company shall not be bound by any representations made by Master Franchisee; provided, however, that Company will have an opportunity to review, and will be bound by, the disclosures included in Master Franchisee’s Franchise Disclosure Document (“**FDD**”).

1.2. Subject to the terms and conditions of this Agreement, Company hereby grants to Master Franchisee, and Master Franchisee accepts, the exclusive right to grant subfranchises to third parties to open and operate Warabimochi Kamakura shops in the Development Territory. Master Franchisee will be free, in its discretion and responsibility, to (i) implement, develop and manage the System in the Development Territory; (ii) select and approve its subfranchisees; and (iii) offer, negotiate and sell subfranchises.

1.3. Company and Master Franchisee each acknowledge that any advice, approval, standards or specifications provided by Company regarding Master Franchisee’s subfranchise business do not guarantee success of the business.

## ARTICLE 2 (Non-Competition)

2.1. During the term of this Agreement, Master Franchisee and its directors, officers, and other related parties shall not engage, directly or indirectly, in any business similar to Warabimochi Kamakura shops permitted by Company to be subfranchised by Master Franchisee under this Agreement, except under a franchise agreement with Company or with Company's prior written approval.

2.2. After the termination of this Agreement, Master Franchisee and its directors, officers, and other related parties shall not engage, directly or indirectly, in any business similar to Warabimochi Kamakura shops, for three years from the date of termination of this Agreement, except under a franchise agreement with Company or with Company's prior written approval.

2.3. The parties acknowledge that damages from a breach of this Article ARTICLE 2 are uncertain and difficult to calculate. The parties therefore agree that in the event of a breach of this Article, Master Franchisee shall pay Company liquidated damages in the amount of \$69,397.

## ARTICLE 3 (Development Obligations)

3.1. Master Franchisee shall make commercially reasonable efforts to open the number of subfranchised Warabimochi Kamakura shops in the Development Quota within the Development Territory in accordance with the Development Schedule, all as specified in Schedule 1, and maintain the operation of those shops during the term of this Agreement. If any Warabimochi Kamakura shop closure is anticipated, Master Franchisee shall make commercially reasonable efforts to open a new Warabimochi Kamakura shop to maintain the number of operating Warabimochi Kamakura shops. If Master Franchisee wishes to sell subfranchises outside the then-current Development Territory, Master Franchisee shall must consult with Company in advance and obtain approval.

## ARTICLE 4 (Payments)

4.1. Master Franchisee shall pay Company an initial franchise fee of \$\_\_\_\_\_ (the "**Initial Franchise Fee**"). The Initial Franchise Fee is non-refundable under any circumstances.

4.2. Master Franchisee shall pay Company a monthly royalty fee ("**Royalty Fee**") equal to forty percent (40%) of the sum of (i) initial franchise fees collected during the preceding month from Master Franchisee's Warabimochi Kamakura subfranchisees; and (ii) royalty fees collected from Master Franchisee's Warabimochi Kamakura subfranchisees during the month based on the Gross Sales of the subfranchised Warabimochi Kamakura shops during the preceding month.

4.2.1. Master Franchisee shall transfer the monthly Royalty Fee to Company's designated account by the last business day of each month. The transfer fee shall be borne by Master Franchisee. Royalty Fees are non-refundable under any circumstances.

4.2.2. For purposes of this Agreement, "**Gross Sales**" means the aggregate of all revenue and income from operating the subfranchised Warabimochi Kamakura shop, whether payment is in cash or by credit card, gift cards or other generally accepted form of payment including noncash payment systems like authorized gift cards or loyalty cards. Gross Sales includes the actual proceeds received from all sales of food, beverages or other goods, merchandise or services of any kind whether sold to customers for in-shop dining, take-out, or delivery. For the sake of clarity, Gross Sales includes: (a) revenue received from employees for meals furnished to employees at a discount; (b) the value of goods and services bought by customers by redeeming gift cards; and (c) the proceeds from any business interruption insurance. Gross Sales excludes: (i) sales taxes and other taxes separately stated, if any, collected from customers and paid

to taxing authorities; (ii) refunds and credits made in good faith to arms' length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customers; (iv) proceeds from the sale of authorized gift cards to customers; (v) proceeds from isolated sales of trade fixtures having no material effect on ongoing operations; (vi) customer tips or service charges paid out to employees; and (vii) the value of meals furnished to employees at no cost.

4.3. As part of the obligations under paragraph 4.2 above, Master Franchisee shall report monthly Gross Sales of the subfranchisees for the calculations of the Royalty Fees. If Master Franchisee intentionally or through gross negligence reports false monthly Gross Sales, Master Franchisee shall pay Company a fee of \$69,397. This fee is in addition to, and does not replace, the termination fee under paragraph 12.4 below.

4.4. Regarding the calculation in paragraph 4.2 above, the Royalty Fees shall be based on Gross Sales in USD and paid in JPY converted at the exchange rate (Mitsubishi UFJ Bank's TTM) on the last day of the month. If there is no exchange rate on such day due to a holiday, the exchange rate of the most recent previous business day shall be used.

4.5. Payments for goods procurement and other payments shall be settled by the end of the following month after the month-end closing.

4.6. All payments specified in this agreement shall be made in Japanese Yen.

4.7. If Master Franchisee fails to pay the full amount of Royalty Fees or other payments by the due date, Master Franchisee shall pay Company a late fee at the rate of 0.5% per month or the maximum rate permitted by applicable law, whichever is lower, on the unpaid amount from the due date until the actual payment date. The calculation of the late fee shall be based on the number of days from the day after the due date to the actual payment date. Payment of the late fee shall take precedence over other obligations of Master Franchisee and does not limit Company's exercise of other rights or remedies.

4.8. Any amount payable under this Agreement, including, but not limited to, the Initial Franchise Fee, Royalty Fees, and payments for food ingredients and products that Master Franchisee is required to pay to Company, shall be determined and paid without deduction for withholding tax, value-added tax (VAT), or any similar taxes (hereinafter referred to as "**Taxes**").

## **ARTICLE 5 (Reports and Audits)**

5.1. Master Franchisee shall have the obligation to report and communicate all matters specified and instructed by Company.

5.2. Master Franchisee shall comply, and shall obligate its subfranchisees to comply, with the operations manual provided by Company related to Warabimochi Kamakura shops.

5.3. If Master Franchisee appears in advertisements or media such as TV or magazines and uses Company's trademark or other marks in such appearances (hereinafter referred to as "**Appearances**"), Master Franchisee shall promptly report to Company the media, scheduled broadcast or publication date, and other matters requested by Company after the Appearance. Master Franchisee shall not object to Company disclosing or using the fact and content of such Appearances for advertising purposes.

5.4. Master Franchisee shall not use the know-how, documents, materials, information, or any other information obtained through this Agreement for any purpose other than to exercise its rights or perform its obligations under this Agreement, and shall manage them strictly under its own responsibility.

5.5. Except as necessary to exercise Master Franchisee's rights or perform its obligations under this Agreement, Master Franchisee shall not use, transfer, or disclose the know-how, information, and content provided by Company to third parties without Company's consent, even after the termination of this Agreement.

5.6. Except as necessary to exercise Master Franchisee's rights or perform its obligations under this Agreement, Master Franchisee shall not, during the term of this Agreement and after its termination, disclose or exchange the content of this Agreement, manuals, Company's guidance, or any information obtained regarding the operation of the franchise business to third parties.

5.7. Master Franchisee shall ensure that its officers and employees comply with the obligations in paragraphs 5.5 and 5.6 above.

5.8. To enhance Company's production schedule and inventory management accuracy, Master Franchisee shall promptly report inventory status to Company upon request. This reporting obligation aims to contribute to the smooth operation of business with Company through efficient production planning and inventory management by Company.

5.9. Company may request Master Franchisee to submit monthly income statements, books that form the basis of income statements, and other accounting materials.

5.10. Company or its designated person may enter Master Franchisee's shop, office, or business location during business hours to inspect Master Franchisee's books and other records.

#### **ARTICLE 6 (Insurance)**

6.1. Master Franchisee must subscribe to comprehensive liability insurance or other insurance to cover various risks surrounding the franchised business.

6.2. Master Franchisee must submit proof of insurance, such as an insurance policy, to Company.

#### **ARTICLE 7 (Brand Standards)**

7.1. Company may provide guidance to Master Franchisee regarding the operation of Warabimochi Kamakura shops, including the following:

7.1.1. The use of trade names, product names, trademarks, other marks, logos, service marks, menus, manuals, know-how, systems, and programs, whether or not registered with the USPTO; hereinafter collectively referred to as the "**Licensed Marks**").

7.1.2. Company's and K&S's methods, standards and specifications regarding the development and operation of Warabimochi Kamakura shops, including any of the following: (i) site selection; (ii) shop development, layout and design; (iii) furniture, fixtures, equipment and signage; (iv) products offered for sale in Warabimochi Kamakura shops (including menus and recipes); product presentation and display; and (v) marketing and advertising materials.

7.1.3. If Master Franchisee wishes to localize any aspects of the operation, it must obtain prior written consent from Company, in which case, any and all intellectual property rights in such aspects as localized by Master Franchisee shall be the sole property of Master Franchisee.

7.1.4. If Company and Master Franchisee determine that on-site visits by Company's employees or contractors are necessary, Master Franchisee shall bear all related expenses, including transportation and accommodation.

7.2. Master Franchisee shall obligate its subfranchisees to develop, build out, and operate their shops in compliance with the System and Company's guidance.

## **ARTICLE 8 (Products and Shop Operations)**

8.1. In order to maintain the quality of Warabimochi Kamakura shops, Master Franchisee shall purchase from Company or its designated supplier supplies of ingredients and products designated by Company for resale to Master Franchisee's subfranchisees.

8.1.1. Company shall determine its prices for such ingredients and products considering market prices. Company may change the supply prices based on market fluctuations. However, if Master Franchisee determines that the prices of food ingredients and products supplied by Company significantly deviate from market prices, Master Franchisee shall have the right to request a price correction from Company or to select an alternative supplier. Master Franchisee shall not sell the food ingredients and products specified above to third parties except for Master Franchisee's subfranchisees within the Development Territory.

8.1.2. If Master Franchisee violates this paragraph 8.1, it shall pay Company a fee of \$69,397.

8.1.3. The payment for ingredients, products, and other goods supplied by Company to Master Franchisee shall be made under the following conditions:

8.1.3.1. The delivery terms shall be FOB, and the goods shall be handed over at a port agreed upon by both parties.

8.1.3.2. Company shall promptly present the bill of lading to Master Franchisee.

8.1.3.3. Master Franchisee shall promptly pay 100% of the amount stated on the invoice after confirming the issuance of the bill of lading.

8.1.3.4. Master Franchisee shall promptly distribute the goods received from Company to the relevant locations.

8.2. For ingredients and products not designated by Company, Master Franchisee may designate suppliers or permit its subfranchisees to procure them in their local market.

8.3. Regarding the manufacture of Warabi-mochi and Kuromitsu handled at Warabimochi Kamakura shops, Master Franchisee shall obligate its subfranchisees to manufacture the products according to Company's recipe, using the ingredients specified by Company, and following all instructions provided by Company.

8.4. Master Franchisee may develop and sell region-specific menus with prior written approval from Company.

8.5. Master Franchisee shall not create or purchase products or merchandise using the Licensed Marks without Company's approval.

8.6. Master Franchisee must obligate its subfranchisees to comply with all applicable law in operating their Warabimochi Kamakura shops.

8.7. Master Franchisee shall obligate its subfranchisees to purchase and maintain an appropriate variety and quantity of products designated by Company to meet reasonably anticipated consumer demand.

8.8. If there are any doubts about the safety or other issues related to the instructions or specifications given by Company, Master Franchisee shall promptly report to Company.

8.9. Master Franchisee shall make the necessary filings and obtain permits and licenses required by applicable law for the offer and sale of subfranchises under this Agreement, at its own expense.

#### **ARTICLE 9 (Rights)**

9.1. Master Franchisee may transfer all rights and obligations under this Agreement to a third party under the same terms and conditions as the existing agreement, subject to Company's approval, which shall not be unreasonably withheld.

9.2. Master Franchisee may delegate its rights and obligations under this Agreement to a third party, in whole or in part; provided that Master Franchisee shall remain liable to Company for the performance of the third-party delegee, and shall impose the same obligations on the third-party delegee to which Master Franchisee is subject under this Agreement.

9.3. Except as provided in paragraphs 9.1 and 9.2 above, the rights granted to Master Franchisee under this Agreement may not be transferred, assigned, or used as collateral, in whole or in part, except with the prior written consent of Franchisor.

9.4. However, Master Franchisee shall impose the same obligations on the third party to which any of Master Franchisee's obligations are delegated as Master Franchisee owes to Company under this Agreement or any related agreements. Any violation by the third party is considered a violation by Master Franchisee.

9.5. If Master Franchisee intends to change its company name, representative, shareholders, or other controlling persons, or the person responsible for management, Master Franchisee must obtain prior approval from Company.

#### **ARTICLE 10 (Intellectual Property Rights)**

10.1. All intellectual property rights related to the Warabimochi Kamakura marks and system belong to K&S and have been licensed to Company. If the license agreement between K&S and Company were to terminate, K&S would immediately assume all of Company's obligations to Master Franchisee under this Agreement and to all of its subfranchisees under the Subfranchise Agreements.

10.2. Master Franchisee shall not infringe on the intellectual property rights of third parties in menu development or management of the Warabimochi Kamakura brand.

10.3. Master Franchisee shall not file for trademarks that are similar or related to Company's or K&S's trademarks, including the Licensed Marks, without prior written consent from Company.

## **ARTICLE 11 (Term and Renewal)**

11.1. The initial term of this Agreement shall begin on the Effective Date and shall continue for 10 years after the opening date of the first subfranchised Warabimochi Kamakura shop.

11.2. This Agreement will automatically renew for successive 10-year terms provided that the following conditions are met: (i) Master Franchisee has not given written notice of non-renewal at least 90 days prior to the expiration of the then-current term, and (ii) at the time of renewal, Master Franchisee is not in default of its obligations under this Agreement.

11.3. Master Franchisee will pay Company a renewal fee of \$\_\_\_\_\_ (including tax) upon renewal.

## **ARTICLE 12 (Termination and Cancellation)**

12.1. If Master Franchisee intends to terminate or cancel the Agreement, they must notify Company at least 180 days in advance.

12.2. If Master Franchisee ceases offering subfranchises and does not have the number of operating subfranchise shops specified in Schedule 1, Company may consider it a declaration of business cessation and treat it as a notice of termination.

12.3. If any of the following occurs, Company may immediately terminate this Agreement without any notice or demand:

12.3.1. Master Franchisee materially breaches the Agreement, and fails to cure the breach within the prescribed period after a notice from Company.

12.3.2. Master Franchisee is subject to seizure, provisional seizure, or provisional disposition.

12.3.3. Master Franchisee engages in actions or makes statements that damage the social credibility of Company or the franchise group.

12.3.4. Master Franchisee is found to be involved with anti-social forces, such as organized crime groups.

12.3.5. Master Franchisee intentionally fails to meet the Development Quota specified in Schedule 1.

12.4. If the Agreement is terminated by Company due to a breach by Master Franchisee, Master Franchisee must pay Company a fee of \$69,397.

12.5. Upon termination or cancellation of the Agreement, Master Franchisee must immediately cease using all trademarks and other materials provided under this Agreement and related agreements, and complete the following within 20 days:

12.5.1. Return any returnable materials and documents provided by Company.

12.5.2. Confirm and sign documents issued by Company regarding the termination.

12.5.3. Remove all signage and cease using and other materials bearing the Licensed Marks.

12.5.4. Delete all past posts on social media or blogs related to Warabimochi Kamakura shops unless instructed otherwise by Company.

12.6. Upon termination or expiration of this Agreement, Company shall immediately become the franchisor under all Subfranchise Agreements then in existence in the United States, and shall assume all of Master Franchisee's obligations under those Subfranchise Agreements.

### **ARTICLE 13 (Miscellaneous)**

13.1. Good Faith. In the event of any doubt concerning the interpretation of this Agreement, or if any matters arise that are not stipulated in this Agreement, both Company and Master Franchisee shall resolve them through mutual consultation and good faith.

13.2. Force Majeure. Neither party is responsible for any failure to perform its obligations under this Agreement if its performance is prevented or delayed due to an event of Force Majeure.

13.2.1. Upon completion of the event of Force Majeure, the party whose performance was affected must as soon as reasonably practicable recommence the performance of its obligations under this Agreement. Furthermore, the party whose performance is prevented or delayed shall use its reasonable efforts to mitigate the effect of the event of Force Majeure on its performance. An event of Force Majeure does not relieve a party from liability for an obligation that arose before the onset of the event of Force Majeure, nor does an event of Force Majeure affect the obligation to pay money in a timely manner for an obligation that arose before the onset of the event of Force Majeure.

13.2.2. "**Force Majeure**" includes, without limitation, an event caused by or resulting from an act of God; labor issues; failure of suppliers due to an industrial disturbance; war (declared or undeclared); riot; fire, earthquake or other catastrophe; pandemic, epidemic or quarantine restrictions; material shortages or rationing; act of any government; or any other similar cause that is not within the control of the party whose performance is required.

13.3. Language. Notifications and communications between Company and Master Franchisee shall be conducted in Japanese or English. This Agreement shall be executed in English. Any Japanese translation of this Agreement is for reference only, and the English text shall prevail.

13.4. Notices. All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given if properly addressed on the earlier of (i) the date when delivered by hand; (ii) the date when delivered by fax or email if confirmation of transmission is received or can be established by the sender; (iii) one business day after delivery to a reputable national overnight delivery service; or (iv) 5 days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. A "**business day**" means weekdays only, excluding Saturdays, Sundays, and holidays. Notices shall be directed to the address shown in **Schedule 1** for the party and its representative. Either party may change its address for receiving notices by giving appropriate written notice to the other.

13.5. Governing Law. This Agreement and all claims arising from it (including tort claims and non-contractual claims) shall be governed by and construed in accordance with Japanese law.

13.6. Dispute Resolution. Company and Master Franchisee agree that the Tokyo District Court or Tokyo Summary Court shall have exclusive jurisdiction for the first instance over any disputes arising from or related to this Agreement.

13.7. Entire Agreement. This Agreement constitutes the entire agreement between Company and Master Franchisee regarding the subject matter hereof, and supersedes all prior agreements, understandings, and representations between the parties. Any amendment or modification to this Agreement must be in writing and signed by both parties.

13.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.

13.9. Electronic Signatures. The parties accept the use of an electronic signature in lieu of a manual signature and agree that an electronic signature will be binding on a party to the same extent as if the party signed this Agreement manually.

13.10. Amendments. No amendment, change, modification, or variance to or from the terms and conditions set forth in this Agreement shall be binding on any party unless it is set forth in writing and duly executed by Company and Master Franchisee.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

Company:

Master Franchisee:

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**Schedule 1**

**TERM SHEET  
DEVELOPMENT TERRITORY, QUOTA & DEADLINES**

1. DEVELOPMENT TERRITORY.

The Development Territory consists of the geographic area described below and/or shown in the map attached to this Schedule 1.

---

2. DEVELOPMENT QUOTA AND DEVELOPMENT DEADLINES.

By each Development Deadline in Column A, Master Franchisee shall make commercially reasonable efforts to (i) grant subfranchises for the number of Warabimochi Kamakura shops in the Development Quota in Column B; and (ii) have in operation at least the number of Warabimochi Kamakura shops in Column C.

A	B	C
Development Deadline	Development Quota	Shops Open and Operating

Dated: \_\_\_\_\_

Company:

\_\_\_\_\_

Master Franchisee:

\_\_\_\_\_

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

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

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

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

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

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

**Schedule 2**

**FORM OF SUBFRANCHISE AGREEMENT**

WARABIMOCHI  KAMAKURA

**WARABIMOCHI KAMAKURA  
SUBFRANCHISE AGREEMENT**

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## WARABIMOCHI KAMAKURA SUBFRANCHISE AGREEMENT

This Subfranchise Agreement (“**Agreement**”) is made as of \_\_\_\_\_ (“**Effective Date**”) by and between \_\_\_\_\_, a [JURISDICTION] [TYPE OF ENTITY] (“**Company**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”).

### RECITALS

A. Warabimochi Kamakura shops feature Japanese sweets, including warabimochi (a traditional dessert made using high-quality, Japanese-sourced honwarabi powder), and a variety of beverages. Warabimochi Kamakura shops operate under the trade name “**Warabimochi Kamakura**” and in accordance with comprehensive, distinctive and uniform business methods, standards and specifications developed and owned by K&S Co., Ltd. a Japanese corporation (“**K&S**”).

B. Company and KBM-USA Co., Ltd (“**Master Franchisor**”), a Japanese corporation and wholly-owned subsidiary of K&S, are parties to a Master Franchise Agreement dated \_\_\_\_\_, 2025 (“**MFA**”), which grants Company the right to award franchises to third parties to own and operate Warabimochi Kamakura shops in the United States.

B. Company grants subfranchises for the right to own and operate Warabimochi Kamakura shops in the United States, including single-unit franchises and multi-unit area developer franchises.

B. Franchisee desires to obtain a license to operate a Warabimochi Kamakura Shop at the Approved Location (defined below), and Company is willing to grant a license to Franchisee on the terms and conditions of this Agreement.

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

### **I. DEFINITIONS**

In addition to capitalized terms and are defined in the body of this Agreement, the following capitalized terms in this Agreement are defined in this Section. Additionally, if the parties are also parties to an Area Development Agreement, capitalized terms that are used, but not defined, in this Agreement shall have the meaning given to them in the Area Development Agreement and the parties incorporate those definitions by this reference.

A. “**Abandon**” means Franchisee’s failure to operate the Franchised Shop for a period of 5 consecutive days without Company’s prior written consent for reasons that are not due to an event of Force Majeure, or for any shorter period or due to other acts or inactions by Franchisee that make it reasonable under the facts and circumstances for Company to conclude that Franchisee does not intend to continue to operate the Franchised Shop in the regular course as required by this Agreement.

B. “**Accounting Period**” means the specific period that Company designates from time to time in the Manual or otherwise through written or electronic communications for purposes of Franchisee’s financial reporting or payment obligations described in this Agreement. For example, an Accounting Period may, in Company’s sole discretion, be based on a seven-day week (e.g., Monday through Sunday), a Calendar Month, a Calendar Quarter; a Calendar Year; or another period of time that may be subdivided into blocks of 4 or 5 weeks, or a shorter or longer time period that Company selects in its sole discretion. Company may designate different Accounting Periods for purposes of paying fees and for discharging reporting obligations under this Agreement.

C. “**Addendum to Lease**” means the written agreement substantially in the form of **Schedule 7** to this Agreement by and between Franchisee and the landlord of the Approved Location that adds specific terms and conditions required by Company to the Lease and grants Company the right, but not the obligation, to accept an assignment of the Lease under stated conditions without the Landlord’s consent. At a minimum, the terms and conditions shall (i) require the landlord to provide concurrent written notice to Company if the landlord serves Franchisee with notice of default under the Lease; (ii) give Company the right, but not impose the obligation, to cure the default under the Lease; (iii) establish the conditions under which Franchisee must offer to assign its interest in the Lease to Company without requesting the landlord’s consent again at the time of the assignment; (iv) provide that the Lease may not be materially modified with Company’s prior written consent; and (v) allow Company to enter the Authorized Location premises to inspect and verify Franchisee’s compliance with this Agreement.

D. “**Affiliate**” means an entity that controls, is controlled by, or is under common control with, a party to this Agreement.

E. “**Anti-Terrorism Laws**” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future Applicable Law and requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war.

F. “**Applicable Law**” means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies, and procedures established by any governmental authority with jurisdiction over the activities of either party to this Agreement or the Franchised Shop in effect on or after the Effective Date, as they may be amended from time to time.

G. “**Approved Location**” means the specific business premises approved by Company for the operation of the particular Warabimochi Kamakura Shop that is the subject of this Agreement.

H. “**Area Development Agreement**” refers to that certain written agreement which the parties may have entered into on or before the Effective Date in which Company has granted Franchisee the right to open a mutually agreed upon number of Warabimochi Kamakura Shops in a geographic area identified as the Development Territory according to specific Development Deadlines. All provisions in this Agreement that refer to an Area Development Agreement shall apply to the parties only if they have, in fact, executed an Area Development Agreement on or before the Effective Date; otherwise, those provisions have no force or effect.

I. “**Business Entity**” means a corporation, limited liability company, partnership, limited liability partnership, trust, or other type of legal entity that, under Applicable Law, may enter into contracts in its own name.

J. “**Calendar Month**” means any one of the 12 Calendar Months of the Calendar Year starting on the first day of the Calendar Month.

K. “**Calendar Quarter**” means the 3-Calendar Month period ending on March 31, June 30, September 30, or December 31 of each Calendar Year.

L. “**Calendar Year**” means the 12-Calendar Month period starting on January 1 and ending on December 31.

M. “**Captive Venue**” refers to the location of a Warabimochi Kamakura Shop in a larger public or privately-owned retail or entertainment destination or complex where the real estate developer includes restaurants or foodservice as an accommodation to a captive market. For purposes of this

Agreement, Captive Venues include, without limitation, regional shopping malls, airports, mass transit stations, professional sports stadiums and arenas, hotels and other types of lodging facilities, military bases, entertainment centers, amusement parks, casinos, universities and other types of schools, hospitals and other types of health care institutions, and similar types of captive market locations that Company may designate during the term. Company shall determine and designate those shopping malls that in Company's judgment qualify as a regional shopping mall based on the size of the shopping complex, number of anchor tenants, existence of dedicated parking space, existence of unrelated merchandisers, and prevailing consumer and industry perceptions.

N. **"Change of Control"** means a transaction or series of related transactions that result in the sale or transfer of all or substantially all of the assets of the Franchised Shop. If Franchisee is a Business Entity, **"Change of Control"** also includes: (i) a transaction or series of related transactions that result in a transfer of 50% or more of the outstanding voting power of Franchisee or a Franchisee Affiliate, whether voluntarily or by operation of law or due to a merger or consolidation; (ii) a change in the person identified on the Effective Date as the Primary Owner; or (iii) a change in the right to appoint, or cause to be appointed, a majority of the directors, officers or managers of the Business Entity.

O. **"Competitive Business"** means any business that derives at least 20% of its total revenue from the preparation, offer or sale at retail or wholesale of Japanese-style sweets and desserts and beverages or the ingredients to prepare the same (whether packaged or sold in liquid, dried, frozen, ready-to-eat, ready-to-serve, or any other format).

P. **"Computer System"** means, collectively, the specific computer hardware, software applications, and supporting peripheral devices that Company specifies by brand, model, supplier, features, functions or other type of specifications and that Franchisee must use to operate the Franchised Shop together with any other type of communications software or restaurant-specific applications and network access services that Company may require Franchisee to use during the Term. Company may revise the specifications for the Computer System as frequently as Company deems necessary in its sole discretion during the Term and may replace non-proprietary hardware or operating software with proprietary hardware or software applications created or developed specifically for the benefit of Warabimochi Kamakura Shops.

Q. **"Confidential Information"** includes, without limitation, knowledge and information that Franchisee knows, or reasonably should know, that Company regards as confidential concerning (i) ingredients, formulas, and food storage and preparation procedures; (ii) Company's relationships with designated, recommended and approved suppliers; (iii) inventory requirements and control procedures; (iv) pricing, sales, profit performance or other results of operations of any individual Warabimochi Kamakura Shop, including the Franchised Shop, or group of Warabimochi Kamakura Shops or the entire chain; (v) demographic data for determining Approved Locations and the Protected Area granted to a Warabimochi Kamakura Shop; (vi) strategic growth and competitive strategies; (vii) the design and implementation of marketing initiatives and the results of customer surveys and marketing and promotional programs; (viii) information and decisions pertaining to Proprietary Products; (ix) non-public information pertaining to the WK Intellectual Property (defined below) and any proprietary software applications that Company incorporates into the Computer System; (x) in general, business methods, ideas, trade secrets, specifications, customer and supplier data, plans, cost data, procedures, information systems and knowledge about the operation of Warabimochi Kamakura Shops or the System, whether the knowledge or information is now known or exists or is acquired or created in the future, and whether or not patentable, included in the Manual, or expressly designate by Company as confidential. Confidential Information does not include (a) information that Franchisee can demonstrate came to its attention lawfully and independently of entering into this Agreement; or (b) information that Company agrees is, or has become, generally known in the public domain, other than through disclosure by Franchisee (whether deliberate or inadvertent).

R. **“Covered Person”** means (i) each officer, director, shareholder, member, manager, trustee, or general partner of the Business Entity signing this Agreement as Franchisee; and (ii) the spouse, adult children, parents, or siblings of the individuals included in (i). Covered Person shall mean an individual who falls within the identified categories, whether on the Effective Date or later during the Term of this Agreement.

S. **“Effective Date of Expiration”** is the last day of the Term.

T. **“Effective Date of Termination”** means one of the following depending on the particular circumstances: (i) with respect to an event of default that this Agreement identifies as not curable, the date when a party is deemed to receive written notice of default and termination, or the later effective date specified by the non-breaching party in the written notice as the effective date of termination, if applicable; (ii) with respect to an event of default that this Agreement identifies is curable, the date on or after the end of the cure period that is specified by the non-breaching party as the effective date of termination; (iii) the date of termination of the Lease, or (iv) the closing date of an Event of Transfer.

U. **“Effective Date of Termination or Expiration”** means either the Effective Date of Termination or the Effective Date of Expiration as the context requires.

V. **“Event of Transfer”** means any actual or attempted transaction or series of related transactions that, directly or indirectly, voluntarily or by operation of law that results or, if completed would result, in (i) the sale, assignment, transfer, pledge, gift, encumbrance or alienation of any interest in this Agreement or the right to use the System or any portion or components; (ii) the offer to sell or sale of securities of Franchisee as a Business Entity pursuant to a transaction subject to registration under federal or state securities laws or by private placement pursuant to a written offering memorandum; or (iii) a Change of Control. For purposes of illustration, an Event of Transfer includes: (a) the issuance of additional Ownership Interests of the Franchisee Business Entity resulting in a Change of Control; (b) a financial restructuring or recapitalization that is secured by enough Ownership Interests of the Franchisee Business Entity such that, if foreclosed upon, would result in a Change of Control; (c) the death or Incapacity of either a Store Manager or a Primary Owner of Franchisee who owns enough Ownership Interests of the Franchisee Business Entity to result in a Change of Control.

W. **“Force Majeure”** includes, without limitation, an event caused by or resulting from an act of God; labor issues; failure of suppliers due to an industrial disturbance; war (declared or undeclared); riot; fire, earthquake or other catastrophe; pandemic, epidemic or quarantine restrictions; material shortages or rationing; act of any government; or any other similar cause that is not within the control of the party whose performance is required.

X. **“Franchised Shop”** means the particular Warabimochi Kamakura Shop which Company authorizes Franchisee to operate under this Agreement at the Approved Location.

Y. **“Franchisee’s Executive Management”** means every individual who now or in the future is (i) an officer or member of the board of directors of Franchisee if Franchisee is a corporation; (ii) a general partner of Franchisee if Franchisee is a general or limited partnership; (iii) a manager of Franchisee if Franchisee is a limited liability company; (iv) the Primary Owner; (v) an individual who occupies a similar status or performs similar functions, whether as an employee or independent contractor, as an individual identified in (i), (ii) and (iii); (vi) Franchisee’s designated General Manager (if any), if not the same person as the Primary Owner; or (vii) Franchisee’s designated Store Manager, if not the same person as the Primary Owner. The individuals who fall within these categories on the Effective Date are listed on **Schedule 5** to this Agreement.

Z. **“General Manager”** identifies Franchisee’s management-level employee responsible for overseeing the operations of multiple Franchised Shops who (i) successfully completes the entire Initial Training Program and earns the designation of Trained Manager; (ii) holds a ServSafe® Food Protection Manager Certification through the National Restaurant Association and the American National Standards Institute Conference for Food Protection; (iii) devotes full-time and attention to performing general management and supervisory responsibilities for the Warabimochi Kamakura Shops operated by Franchisee; and (iv) completes any annual continuing education requirements that Company requires all General Managers to complete.

AA. **“Gross Sales”** means the aggregate of all revenue and income from operating the Franchised Shop, whether payment is in cash or by credit card, gift cards or other generally accepted form of payment including noncash payment systems like authorized gift cards or loyalty cards. Gross Sales includes the actual proceeds received from all sales of food, beverages or other goods, merchandise or services of any kind whether sold to customers for in-shop dining, take-out, or delivery. For the sake of clarity, Gross Sales includes: (a) revenue received from employees for meals furnished to employees at a discount; (b) the value of goods and services bought by customers by redeeming gift cards; and (c) the proceeds from any business interruption insurance. Gross Sales excludes: (i) sales taxes and other taxes separately stated, if any, collected from customers and paid to taxing authorities; (ii) refunds and credits made in good faith to arms’ length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customers; (iv) proceeds from the sale of authorized gift cards to customers; (v) proceeds from isolated sales of trade fixtures having no material effect on ongoing operations; (vi) customer tips or service charges paid out to employees; and (vii) the value of meals furnished to employees at no cost.

BB. **“Incapacity”** is the inability of a Store Manager, continuing for at least 120 days in the aggregate during any rolling 12 Calendar Month period during the Term, to perform on a full time basis the duties of a Store Manager due to medical reasons confirmed by the examination and findings of a physician selected by a hospital that is selected by Company and is located within 20 miles of the Approved Location, if there is no other Trained Manager available to take over the Store Manager’s duties. A period of Incapacity shall continue without interruption unless and until the Store Manager resumes his or her duties on a full-time basis for 30 consecutive days with the same level of involvement as before the onset of the Incapacity.

CC. **“Initial Training Program”** means the training program that Company provides to a franchisee before and in connection with the Opening Date of the franchisee’s Warabimochi Kamakura Shop, as Company may revise that program from time to time. As of the Effective Date, the Initial Training Program consists of Management Training and New Shop Opening training.

DD. **“Lease”** means the written agreement by and between Franchisee and the owner of the business premises identified in this Agreement as the Approved Location that grants Franchisee the right to occupy and use the Approved Location for the operation of a Warabimochi Kamakura Shop.

EE. **“Licensed Marks”** collectively mean all of the trademarks, service marks, trade names, brand names, logos, trade dress and other proprietary indicia of goods and services, whether registered, unregistered or arising by Applicable Law, and all registrations and applications for registration of such trademarks, including intent-to-use applications, and all issuances, extensions and renewals of such registrations and applications that Master Franchisor and Company now or hereafter use to identify, advertise or promote Warabimochi Kamakura shops generally or individual Warabimochi Kamakura shops and expressly authorize or require Franchisee to use in connection with the Franchised Shop.

FF. **“Local Law”** means the laws of the state in which the Approved Location is located.

GG. “**Local Marketing**” means all communications in all formats and media channels that Franchisee creates or adapts and intends to use, directly or indirectly, to market and promote the Franchised Shop, Franchisee’s status as an authorized Network Member, or that display the Licensed Marks. Local Marketing includes: (i) written, printed and electronic communications in any media; (ii) communications sent by email or equivalent electronic technology; (iii) communications by means of a recorded telephone message, spoken on radio, television or similar communication media; (iv) promotional items or promotional or publicity events; (v) listings in approved business directories; (vi) the use of the Licensed Marks on stationery, business cards, invoices, signs, brochures, flyers, menus, or any type of outdoor marketing, point-of-sale materials, or other tangible personal property; (vii) the use of the Licensed Marks in social media whether the format or channel exists now or is created in the future; (viii) content on any third party website; and (ix) content that Franchisee wishes to place on any subpage that Company provides to Franchisee that is hosted on and part of the Warabimochi Kamakura Website domain address.

HH. “**Manual**” refers collectively to all volumes of the confidential operating manuals, recipe manuals, food preparation and ordering procedures, training and operations guides that Company provides to Franchising as part of the franchise license that contain mandatory and recommended policies, procedures, business methods, operating standards, requirements and specifications that together comprise the Warabimochi Kamakura brand and System, and other written instructions given to Franchisee by Company in confidence during the Term. The Manual may be memorialized in written or electronic format and modified periodically by Company as frequently as Company deems necessary to reflect changes that Company may make at any time to the System.

II. “**Minimum Local Marketing**” is an amount equal to 2.0% of the aggregate Gross Sales of the Franchised Shop, subject to Company’s right to increase the Local Marketing Obligation to a maximum of 3% in increments of 0.5% on 90 days’ written notice.

JJ. “**Network Member**” refers collectively to Franchisee, Company, or Company’s Affiliate if they own and operate a Warabimochi Kamakura Shop; and every other Warabimochi Kamakura licensee that is a party to a contract with Company or Company’s Affiliates granting the right to operate a Warabimochi Kamakura Shop.

KK. “**Network Portal**” means a non-public electronic communications network portal owned by Company that Company may establish in the future (but which does not exist on the Effective Date), to which Company gives access rights to Network Members in order to facilitate communication by Company to Network Members, between Company and individual Network Members, or among Network Members, and where Company may post the Manual and other information about mandatory and optional standards, specifications, methods, and procedures that comprise the System. Franchisee enters into this Agreement aware that Company has not yet set up a Network Portal and may choose a different means for communicating with Network Members and for Network Members to communicate with each other, and Company shall not be liable to Franchisee if Company elects not to set up a Network Portal.

LL. “**Non-Proprietary Goods/Services**” refer collectively to all goods, services, merchandise, supplies or property that Franchisee may, or must, use, offer, sell, or promote in operating the Franchised Shop that are not Proprietary Products.

MM. “**Opening Date**” is the date on which the Franchised Shop opens for business to the public and completes its first transaction generating Gross Sales.

NN. “**Ownership Interest**” means the possession of equity in the capital, shares, stock, membership interests, or profits of a Business Entity or rights in or to the economic benefits of that equity.

OO. **“Personal Guarantor”** refers to any person who owns or at any time during the Term acquires, either legally or beneficially, 10% or more of the Ownership Interests of the Franchisee Business Entity.

PP. **“Primary Owner”** refers to a person who owns or at any time during the Term acquires, either legally or beneficially, 25% or more of the outstanding Ownership Interests of Franchisee and, as a Personal Guarantor, has duly executed a Personal Guaranty in favor of Company.

QQ. **“Proprietary Ingredients”** as of the Effective Date collectively refers to matcha and warabi powder used in Company’s unique recipes.

RR. **“Proprietary Products”** collectively refers to any Proprietary Ingredients, and other food products, beverages, supplies, equipment, collateral logo merchandise, services to support the build-out of the Franchised Shop, or any other goods or services that Franchisee must use or sell in operating the Franchised Shop now or in the future and (i) are produced or fabricated to Company’s specifications; (ii) display the Licensed Marks even if the goods or services are not produced or fabricated to Company’s specifications; or (iii) where Company designates an exclusive supplier for the goods or services even if the goods or services themselves do not display the Licensed Marks or are not produced or fabricated to Company’s specifications.

SS. **“Protected Area”** is the area identified on **Schedule 1**.

TT. **“Provisional Remedies”** mean any form of interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders that a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo.

UU. **“Qualified Transfer”** means the sale, assignment, transfer, pledge, donation, encumbrance, or other alienation of the Ownership Interests of the Franchisee Business Entity not resulting in a Change of Control.

VV. **“Store Manager”** identifies Franchisee’s management-level employee who (i) successfully completes the entire Initial Training Program and earns the designation of Trained Manager; (ii) holds a ServSafe® Food Protection Manager Certification through the National Restaurant Association and the American National Standards Institute Conference for Food Protection; (iii) devotes full-time and attention to performing general management and supervisory responsibilities for the Franchised Shop; and (iv) completes any annual continuing education requirements that Company requires all Store Managers to complete.

WW. **“System”** means, collectively, Company’s comprehensive business methods, operating standards, policies, requirements and specifications which cover the following subject matters: (i) the design, trade dress, appearance, and build-out requirements for the Franchised Shop including kitchen layout, signs, dining room layout, and installation of designated interior décor; (ii) specifications for restaurant equipment and supplies; (iii) designation of standard menu items and menu names; (iv) instructions for handling, preparing, presenting, serving and storing ingredients, foods and beverages including proprietary recipes; (v) requirements for purchasing and using or selling Proprietary Products; (vi) requirements for purchasing equipment, supplies, décor and replacement items; (vii) standards for maintenance, cleaning and sanitation of Warabimochi Kamakura Shops; (viii) designated, recommended and approved suppliers and vendors; (ix) use of the Computer System, which includes point-of-sale equipment for calculating and recording customer transactions and record keeping, financial and

operational reporting requirements; (x) customer service and merchandising standards; (xi) advertising and branding strategies; (xii) comprehensive training programs; and (xiii) requirements for using the WK Intellectual Property (defined below), as Company may modify any of the foregoing elements during the Term as provided in this Agreement.

XX. “**Term**” is the 10-year period starting on the Effective Date and expiring without notice at the close of business at the end of 10 years unless sooner terminated pursuant to the procedures stated in this Agreement.

YY. “**Trained Manager**” is the designation that Company confers on an individual who successfully completes the Initial Training Program and any additional education requirements that Company then imposes to maintain Trained Manager status.

ZZ. “**WK Intellectual Property**” means the following intangible property and similar types of proprietary rights, interests and protections however arising under Applicable Law related to the Warabimochi Kamakura Shop concept and business operations that currently exist or come into being after the Effective Date including without limitation all of the following and any equivalent rights under Applicable Law: (i) the Licensed Marks; (ii) internet domain names, whether or not trademarks, registered in any generic top-level domain by any authorized private registrar or governmental authority; (iii) original works of authorship in any medium of expression, whether or not published, all copyrights (whether registered, unregistered or arising by law), all registrations and applications for registration of such copyrights, and all issuances, extensions and renewals of such registrations and applications; (iv) Confidential Information; (v) source codes for proprietary software that Company incorporates into the Computer System; (vi) business methods utilized by Company in operating Warabimochi Kamakura Shops; (vii) moral rights under Applicable Law; and (viii) patented and patentable designs and inventions, all design, plant and utility patents, letters patent, utility models, pending patent applications and provisional applications and all issuances, divisions, continuations, continuations-in-part, reissues, extensions, re-examinations and renewals of such patents and applications whether known, existing or in use on the Execution Date or discovered, created or put into use afterwards. For the sake of clarity, WK Intellectual Property include Company’s rights under Applicable Law subsumed within the defined terms Manual, Licensed Marks, and the other components of the System.

AAA. “**Warabimochi Kamakura Shop**” means interchangeably the Franchised Shop that is the subject of this Agreement or another shop operating under the “Warabimochi Kamakura” name that is owned and operated by Company, Company’s Affiliates, or another Network Member under a license from Company.

BBB. “**Warabimochi Kamakura Website**” refers to <https://warabimochi-kamakura-usa.com/> or such other website as Company or Master Franchisor may maintain from time to time for Warabimochi Kamakura Shops.

CCC. “**Wholesale Sales**” means the direct or indirect sale of Proprietary Products or Non-Proprietary Goods/Services in association with the Licensed Marks under circumstances where Franchisee knows, or after inquiry should reasonably suspect, that the buyer is making the purchase with the intention of engaging in the further distribution and sale of the items to retail or wholesale customers through any trade method or distribution and to end-user customers for their consumption.

## II. THE FRANCHISED SHOP

### A. Grant of License.

1. Company hereby grants to Franchisee, and Franchisee accepts, the non-exclusive right and license to use the System in connection with the operation of a Warabimochi Kamakura Shop at the Approved Location subject to the terms and conditions of this Agreement. Franchisee may not relocate the Franchised Shop except in accordance with this Agreement. Company grants Franchisee no rights other than the rights expressly stated in this Agreement.

2. As a condition of the grant of franchise rights, concurrently with the execution of this Agreement, Franchisee shall execute the form of Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name attached to this Agreement as **Schedule 6**.

3. In accepting the grant of rights, Franchisee agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and to continuously exert its best efforts to maximize the Gross Sales of the Franchised Shop and promote and enhance the Franchised Shop and the reputation and goodwill associated with the System. Franchisee understands and agrees that its strict and punctual performance of all obligations in this Agreement, the Manual or otherwise communicated to Franchisee in writing is a condition of the franchise granted to Franchisee.

4. Company is entering into this Agreement based upon the business experience and acumen of Franchisee's Primary Owner and Franchisee's Executive Management identified on **Schedule 5**. Franchisee shall notify Company promptly in writing of any changes in or additions to the information on **Schedule 5** after the change occurs.

5. Franchisee must remain in good standing as a Business Entity in the jurisdiction of its organization or formation throughout the Term and may not engage in any other business activities or invest its assets or resources in any other business activities except activities that directly pertain to Franchisee's duties under this Agreement. It shall be a material breach for Franchisee to engage in any other business or commercial activities or investments through the Franchisee Business Entity. However, nothing in this Agreement forbids a Covered Person directly or through a different Business Entity from engaging in other business and commercial activities during or after the Term subject to the restrictions in this Agreement pertaining to the operation of a Competitive Business.

6. If the parties are also parties to an Area Development Agreement and if Franchisee is not the same Business Entity as the party identified as "**Developer**" in the Area Development Agreement, Franchisee understands that it is a material obligation of this Agreement that Franchisee be and remain an Affiliate of Developer throughout the Term, which requires that Franchisee either be controlled by Developer or under common control with Developer. Additionally, Franchisee understands and agrees that the obligations imposed on Developer by the Development Agreement apply equally to Franchisee, and the obligations imposed by this Agreement on Franchisee apply equally to Developer. Franchisee represents and warrants to Company in order to induce it to enter into this Agreement that it has requisite authority to bind Developer to these obligations.

### B. Limitations.

1. Company grants Franchisee no rights other than the rights expressly stated in this Agreement. Franchisee's use of the System for any purpose, or in any manner, not permitted by this Agreement shall constitute a breach of this Agreement.

2. Nothing in this Agreement gives Franchisee the right to sublicense the use of the System, or any portion or component thereof, to others.

3. Nothing in this Agreement gives Franchisee an interest in Company or the right to participate in Company's business activities, investment, or corporate opportunities.

4. Nothing in this Agreement gives Franchisee any rights in or to any WK Intellectual Property other than the limited license expressly granted in this Agreement.

5. Nothing in this Agreement grants Franchisee any express or implied preferential right of any kind to acquire an additional franchise to operate another Warabimochi Kamakura Shop. Any right that Franchisee may have to acquire additional Warabimochi Kamakura franchises is set forth in the Area Development Agreement executed by Franchisee (if applicable).

6. Company has the absolute right to select its franchisees. Nothing in this Agreement grants Franchisee any express or implied preferential right of any kind to acquire an additional franchise to operate an additional Warabimochi Kamakura franchise or to object to Company's grant of franchises to others for a location that is outside the Protected Area, if applicable, assigned to the Approved Location identified in this Agreement. Any right that Franchisee has to object to Company's grant of Warabimochi Kamakura Shop franchises to others is set forth in the Area Development Agreement if the parties have executed one on or before the Effective Date.

7. This Agreement authorizes Franchisee to engage in delivery services in accordance with the specific conditions for delivery contained in the Manual or otherwise communicated to Franchisee in writing, which may limit Franchisee to using Company's designated third party delivery service providers. Franchisee's use of any other delivery service provider is subject to Company's prior written approval.

8. Nothing in this Agreement gives Franchisee the right to engage in Wholesale Sales of any kind or in any trade channel including from the Warabimochi Kamakura Website or any third-party website or by mail order, catalog sales or comparable methods.

9. Nothing in this Agreement gives Franchisee a right to complain or receive compensation if Company's Affiliates use the WK Intellectual Property in connection with the operation of any other restaurant or foodservice chain in which Company's Affiliates own a controlling interest.

C. Improvements; Duty to Conform to Modifications.

1. Any improvements, modifications or additions that Company makes to the System, or which become associated with the System, including ideas suggested or initiated by Franchisee, shall inure to the benefit, and become the exclusive property, of Company and may be treated as part of the WK Intellectual Property. Franchisee hereby assigns to Company or its designee all intellectual property rights, including all copyrights, patent, or other intellectual property rights, in and to any improvements or works that Franchisee may create, acquire, or obtain in operating the Franchised Shop. Franchisee agrees that Company may use, and authorize others to use, improvements that Franchisee suggests, initiates, or originates without compensation to Franchisee and without Franchisee's permission. Franchisee understands and agrees that nothing in this Agreement shall constitute or be construed as Company's consent or permission to Franchisee to modify the System or any portion or component of the System. Any modification that Franchisee desires to propose or make to the System shall require Company's prior written consent.

2. Franchisee may provide suggestions, comments, or other feedback (collectively, “**Feedback**”) to Company with respect to the System. Feedback is voluntary. Franchisee agrees that Company may use Feedback for any purpose without liability or compensation to Franchisee or obligation of any kind and hereby grants Company an irrevocable, non-exclusive, perpetual, fully-paid-up, royalty-free, world-wide license to use the Feedback in connection with any business activities conducted by Company or Company’s Affiliates whether or not these activities pertain to improvements to the System.

3. Any goodwill resulting from Franchisee’s use of the System shall inure to the exclusive benefit of Company. This Agreement confers no goodwill or other interest in the System upon Franchisee, except a license to use the System during the Term subject to the terms and conditions stated in this Agreement. This provision shall not be construed to prevent Franchisee from receiving the proceeds on the sale of the Franchised Shop if the sale is conducted in compliance with the requirements of this Agreement applicable to an Event of Transfer.

4. Franchisee understands and agrees that Company may modify the System and any of its components from time to time in its sole discretion as often, and in the manner, that Company believes, in its sole discretion, is necessary to best promote Warabimochi Kamakura Shops and the Licensed Marks to the public. Company shall give Franchisee written notice of all changes either by supplements to the Manual, in writing or electronically, or in some other written or electronic format. Franchisee shall, at its own cost and expense, promptly adopt all changes and use only those parts of the System specified by Company and shall promptly discontinue the use of any parts of the System that Company directs to be discontinued. Franchisee shall not change, modify, or alter the System in any way, except as Company directs.

5. Franchisee recognizes that changes modifications that Company may make to the System may necessitate that Franchisee make capital expenditures during the Term in amounts that Company cannot forecast. Nothing in this Agreement limits the frequency or cost of future changes to the System that Company may require. Franchisee understands and agrees that Company has no ability to identify with specificity the nature of these future general improvements or their expected cost and accepts the risk that future general improvements may be imposed that will require significant capital expenditures in an amount that is unknown on the Effective Date and that cannot be fully amortized over the period of time then remaining in the Term.

D. Deviations from the System. Company may allow its Affiliates and other Network Members to deviate from the System in individual cases in the exercise of Company’s sole discretion. Franchisee understands and agrees that it has no right to object to any variances that Company may allow to itself, Company’s Affiliates or other Network Members and has no claim against Company for not enforcing the standards of the System uniformly. Franchisee understands and agrees that Company has no obligation to waive, make any exceptions to, or permit Franchisee to deviate from, the uniform standards of the System. Any exception or deviation that Company does allow Franchisee must be stated in writing and executed by Company in order to be enforceable against Company.

### **III. PROTECTED AREA AND RESERVED RIGHTS**

#### **A. Protected Area**

1. Except as otherwise provided in this Section, Company agrees not to open or operate, or grant others, including Company’s Affiliates or unrelated persons, the right to open or operate, a Warabimochi Kamakura Shop identified by the Licensed Marks anywhere in the Protected Area described on **Schedule 1**.

2. Nothing in this Agreement gives Franchisee the right to object to Company's grant of franchises to others for approved locations outside the Protected Area, regardless of how close the approved location may be located to the boundaries of the Protected Area.

3. Except as provided in an Area Development Agreement entered into by the parties on or before the Effective Date, nothing in this Agreement gives Franchisee the right to object to the opening of a Warabimochi Kamakura Shop (i) outside of the Protected Area if one is assigned to the Franchised Shop, regardless of how close it may be located to the boundaries of the Protected Area; or (ii) if no Protected Area is assigned to the Franchised Shop, regardless of its proximity to the Franchised Shop. If an Area Development Agreement has been entered into by the parties on or before the Effective Date, the Area Development Agreement may give Franchisee certain rights during the Development Term to object to the opening of a Warabimochi Kamakura Shop in the Development Territory, but outside of the Franchised Shop's Protected Area.

4. If a Protected Area is granted to the Franchised Shop, the Protected Area excludes all of the following types of properties that now, or in the future, are in the Protected Area:

a. Any Captive Venue located in the Protected Area.

b. Any restaurant properties in the Protected Area that Company acquires as part of, and contemporaneous with, the acquisition of a chain of at least three restaurants regardless of their location (whether within or outside of the Protected Area) if, at the time of the acquisition, all restaurants in the chain do business under a common trade name other than the Licensed Marks. Following the acquisition, Company may convert any or all of the restaurant properties in the Protected Area to a Warabimochi Kamakura Shop or any other restaurant under any trade name or permit any of Company's Affiliates, another Network Member, the previous owner or any other third party to operate the restaurant properties in the Protected Area as a Warabimochi Kamakura Shop under a franchise license from Company. For the sake of clarity, "restaurant properties" as used in this section includes a Competitive Business.

5. Franchisee understands and agrees that the significance of designating a Protected Area is solely to indicate the geographic area within which Company will not open or operate, or grant others the right to open or operate, a Warabimochi Kamakura Shop except as expressly permitted under the exclusions and reserved rights set forth in this Section. The designation of a Protected Area does not give Franchisee any superior right to (i) sell authorized goods or services to persons who reside or work in the Protected Area, or (ii) market or advertise its Warabimochi Kamakura Shop in media that circulates, broadcasts or otherwise is directed to or accessible by persons in the Protected Area.

#### B. Company's Reserved Rights.

1. If a Protected Area is granted to the Franchised Shop, in addition to Company's right to engage in activities in the Protected Area, Company reserves the exclusive right to (i) use all, or parts, of the System and to exploit the Licensed Marks in any manner, method or channel of distribution; and (ii) engage in any and all activities in or outside of the Protected Area without prior notice or compensation to, or consent of, Franchisee. The only activity that Company agrees to refrain from in the Protected Area while this Agreement is in effect is to open or operate, or grant others, including Company's Affiliates or unrelated persons, the right to open or operate a Warabimochi Kamakura Shop identified by the Licensed Marks in the Protected Area subject to the exclusions expressly stated in this Franchise Agreement.

2. Company's reserved rights extend to any retail or wholesale channel of distribution, whether the channel now exists or is developed in the future, including the right to engage in Wholesale Sales without prior notice or compensation to, or consent of, Franchisee. Without limiting the scope of Company's reserved rights in the Protected Area, Company may directly or indirectly, in or outside of the Protected Area, offer and sell products and merchandise of any kind (including, without limitation, products bearing the Licensed Marks and ingredients, menu items, or prepared foods or beverages that now or in the future are offered for sale at Warabimochi Kamakura Shops) under either the Licensed Marks or under any other trademarks through any retail or wholesale channel of distribution, including from any third party website, mail order catalog, direct mail advertising, or from supermarkets, convenience stores, restaurants, and other food service businesses that do not do business under the Licensed Marks, and may engage in other activities constituting Wholesale Sales. Company will not share with Franchisee the revenue that it earns from retail and wholesale distribution or other activities constituting Wholesale Sales.

3. Nothing in this Agreement limits Company's right to use the Licensed Marks in any manner. For the sake of clarity, as an example, nothing in this Agreement limits Company's right to use the Licensed Marks on merchandise like t-shirts, hats, aprons, mugs, sauces or other food products, or other merchandise, sell these articles to Network Members, or forbid Network Members from selling logo merchandise to the general public. Franchisee may only sell logo merchandise displaying the Licensed Marks with Company's prior written consent and from the Franchised Shop.

4. Company has no obligation to share with Franchisee any revenue or profits that Company earns from engaging in any of the reserved activities in the Protected Area.

#### **IV. APPROVED LOCATION**

##### **A. Selection of Approved Location.**

1. If Franchisee owns or leases an existing retail location that Company has determined meets its demographic requirements and the landlord is willing to execute Company's form of Addendum to Lease, the parties shall mutually indicate the Approved Location's street address and the boundaries of the Protected Area, if applicable, on **Schedule 1** and execute **Schedule 1** at the same time they execute this Agreement, in which case the balance of this subsection A shall not apply to Franchisee.

2. If the parties have not identified the Approved Location on or before the Effective Date, Franchisee shall be responsible for evaluating potential sites and selecting the Approved Location, subject to Company's approval, pursuant to the procedures stated in this Section. Following Company's written approval of Franchisee's proposed site as the Approved Location, the parties shall amend this Agreement to set forth the Approved Location's street address and the boundaries of the Protected Area, if applicable, on **Schedule 1**.

3. The fact that Company may, in its sole discretion, offer Franchisee advice, recommendations or site location services of any kind shall not constitute an admission on Company's part that it is responsible for identifying potential sites, and Franchisee understands that site selection is Franchisee's sole responsibility, subject to Company's right to approve the site. Consistent with Franchisee's responsibility for site selection, Franchisee is solely responsible for investigating and complying with Applicable Law concerning development, occupancy and use of the Approved Location and evaluating the suitability of a site as a Warabimochi Kamakura Shop.

4. To assist Franchisee with site selection, Company shall share with Franchisee, without charge, the important demographic, and physical characteristics of Warabimochi Kamakura Shops relevant to evaluating potential sites. Franchisee is solely responsible for investigating the demographic

character of the market area surrounding the proposed site on its own and may engage professional site selection specialists to support its efforts. Franchisee is also solely responsible for investigating Applicable Law that may affect the operation of a restaurant at a particular site and for complying with all matters pertaining to Applicable Law at Franchisee's sole expense.

a. To obtain Company's approval of a proposed site, Franchisee shall submit a written site proposal to Company, in the form designated by the Company. Franchisee's site proposal shall be accompanied by a letter of intent or other evidence satisfactory to Company that confirms the willingness of the owner or master tenant of the Approved Location to (i) offer Franchisee a Lease; and (ii) execute an Addendum to Lease in the form of **Schedule 7**. Company may condition site approval on its review and approval of the Lease that Franchisee proposes to enter into with the landlord of the proposed site.

b. Following receipt of Franchisee's written site proposal, Company may, in its sole discretion and at its sole expense, make (or engage a representative on its behalf to make) an on-site visit to the proposed site at Company's expense if Company reasonably believes that physical inspection of the demographic conditions of the area, or the proposed site, is necessary or desirable to evaluate Franchisee's proposal. Franchisee understands and agrees that the on-site visit is at Company's option and not required by this Agreement.

c. Company shall have 30 days following receipt of Franchisee's completed site proposal to make any site visit that it chooses to make and approve or disapprove the proposed site by giving written notice to Franchisee (the "**Site Approval Notice**"). Franchisee may request site approval for more than one site; but it shall not extend the time period for obtaining site approval. If Franchisee proposes more than one site, Company need only approve one site, or it may disapprove all proposed sites. Company's failure to give timely notice of approval shall constitute Company's disapproval of all sites proposed by Franchisee. Company's approval of a site signifies only that the site meets Company's current site criteria. Company's approval of a site does not certify that Franchisee's development, use or occupancy of the site as a Warabimochi Kamakura Shop will conform to Applicable Law or guaranty or warrant that operation of a Warabimochi Kamakura Shop at the site will be successful or profitable. Company is not responsible if the site fails to meet Franchisee's or Company's expectations.

5. Following Company's written approval of Franchisee's proposed site as the Approved Location, the parties shall amend this Agreement to set forth the Approved Location's street address and the boundaries of the Protected Area, if applicable, on **Schedule 1**.

6. The parties' failure to execute **Schedule 1** shall not invalidate this Agreement, Company's site approval nor the designation of the Protected Area, if applicable.

B. Lease and Addendum to Lease. Promptly following the parties' execution of **Schedule 1**, Franchisee shall execute a Lease and Addendum to Lease with the landlord of the Approved Location and deliver to Company a copy of the fully-executed Lease and Addendum to Lease.

C. Termination. Company may terminate this Agreement if Franchisee fails to (i) obtain Company's written site approval within 120 days after the Effective Date; or (ii) deliver a copy of the executed Lease and Addendum to Lease to Company within 180 days after the Effective Date. If Company elects to terminate this Agreement based on the failure of either condition, Company will refund 50% of the Initial Franchise Fee that Franchisee has paid to Company upon Franchisee's delivery of an executed general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

D. Relocation.

1. If (i) the Lease expires or terminates for reasons other than Franchisee's breach; (ii) the Approved Location or building in which the Franchised Shop is located is destroyed, condemned or otherwise rendered unusable; or (iii) the parties' mutually believe that relocation will increase the business potential of the franchise, Franchisee shall relocate the Franchised Shop, at Franchisee's sole expense, to a new location selected by Franchisee, and approved by Company, in accordance with Company's then-current site selection procedures as specified in the Manual. Company shall indicate its approval of the new site by executing a new Site Approval Notice. The parties shall amend **Schedule 1** to reflect the address of the new Approved Location.

2. Before Company will consider Franchisee's proposal for a new site in connection with the possible relocation of the Approved Location, Franchisee must pay Company a non-refundable Relocation Fee of \$10,000.

3. Company will not consider or approve Franchisee's request to relocate the Franchised Shop if the landlord of the Premises terminates the Lease due to Franchisee's material breach.

4. At Franchisee's sole expense, Franchisee shall construct and develop the new premises to conform to Company's then-current specifications for design, appearance, trade dress elements, equipment, layout, and leasehold improvements for new Warabimochi Kamakura Shops, and remove any signs, trade dress, kitchen and other equipment, and similar property from the original Approved Location that identified the original Approved Location as belonging to the System. All of the terms and conditions in this Agreement regarding the process for preparing and approving Franchisee's architect, design personnel and contractor and the specific set of design and construction plans prepared by these professionals for the original Approved Location shall apply equally to the new Approved Location.

5. Franchisee shall use its best efforts to complete relocation without any interruption in the continuous operation of the Franchised Shop unless Company's prior written consent is obtained. As a condition to consenting to a disruption in operations, Company may impose a maximum closure period, which shall be reasonable under the circumstances compelling relocation, during which Franchisee must (i) obtain Company's site selection approval for the new Approved Location; (ii) execute a new Lease and Company's Addendum to Lease for the new Approved Location; (iii) obtain Company's approval of a preliminary design proposal and final construction drawings for the new Approved Location following the same procedure described in this Agreement for securing these approvals for the original Approved Location; and (iv) complete construction and development of the new Approved Location as expediently as reasonably possible in accordance with the requirements of the Lease and Applicable Law. Franchisee understands that if Company consents to a disruption in operations and operations temporarily cease, the Term of this Agreement shall not be extended.

6. If the new Approved Location is not ready to open for business within a year after the date that Company approves the new Approved Location, Company may require that Franchisee pay Royalty Fees and Brand Development Fees each week beginning one year after the date that Company approves the new Approved Location until the new Warabimochi Kamakura Shop opens for business based on the sum of the average fees plus 10% of the average fees that Franchisee paid before the date that the original Approved Location ceased operation.

V. TERM AND RENEWAL

A. Term. This Agreement shall begin on the Effective Date and shall expire without notice 10 years after the Opening Date.

1. For the sake of clarity, the parties recognize that expiration of this Agreement is a different event than termination of this Agreement. Expiration is the ending of this Agreement pursuant to its terms without any action by a party. The parties agree that this Agreement will expire 10 years measured from the Opening Date.

2. Termination is the ending of this Agreement as the result of action taken by a party due to the other party's material breach if the non-breaching party complies with specific requirements in this Agreement addressing termination.

B. Renewal Term. Unless the Term ends sooner for any reason, Franchisee shall have an option ("**Renewal Option**") to renew the franchise for an additional term of 10 years ("**Renewal Term**"). Franchisee understands that the Renewal Option is subject to the condition that Company must be granting new Warabimochi Kamakura Shop franchises in the United States at the time when Franchisee is permitted to exercise the Renewal Option. If Company is not granting new Warabimochi Kamakura Shop franchises in the United States at the time when Franchisee is permitted to exercise the Renewal Option, the Renewal Option is null and void as if it never had been granted and this Agreement shall expire on the last day of the Term.

C. Conditions to Exercise. To exercise the Renewal Option, Franchisee must furthermore comply the following conditions:

1. Franchisee must give Company written notice of Franchisee's election to renew ("**Renewal Notice**") at least 9 Calendar Months, but not more than 12 Calendar Months, before the end of the Term. The Renewal Option shall be cancelled if Franchisee does not timely and effectively exercise the Renewal Option.

2. The Renewal Notice must be accompanied by payment of a non-refundable renewal fee in the amount of \$20,000.

3. Franchisee must not be in default under this Agreement or any successor Franchise Agreement at the time it gives the Renewal Notice or on the first day of the Renewal Term. Further, Franchisee must not have received more than three (3) notices of default during any 24 Calendar Month period during the Term whether or not the notices relate to the same or to different defaults, and whether or not the defaults have each been timely cured by Franchisee.

4. To exercise the Renewal Option, Franchisee shall execute Company's then-current form of Franchise Agreement for a 10-year term, which Franchise Agreement shall supersede this Agreement in all respects except as follows: (i) Franchisee shall not have the renewal rights set forth in the successor Franchise Agreement; (ii) Franchisee shall not be required to pay the Initial Franchise Fee stated in the successor Franchise Agreement, but shall instead pay the Renewal Fee; and (iii) Franchisee shall not be required to participate in the Initial Training Program described in the successor Franchise Agreement then offered by Company to new franchisees, but shall comply with any renewal training requirements in this Agreement. Franchisee understands that any successor Franchise Agreement may be materially different than this Agreement, including requiring payment of additional or different fees to Company and revising the boundaries of the Protected Area assigned to the Franchised Shop.

5. Franchisee shall satisfy Company's then-current training requirements, if any, for renewing franchisees. Company may require that Franchisee pay a training fee to complete mandatory training in connection with exercising a Renewal Option in an amount equal to the training fee that Company then charges other Network Members who execute a renewal Franchise Agreement contemporaneously.

6. Franchisee shall conform the Franchised Shop to Company's then-current design, appearance, trade dress elements, layout, equipment, leasehold improvements, imaging requirements, signs, and accounting and recordkeeping systems that apply to new Warabimochi Kamakura Shops, including making upgrades to the Computer System to the extent any areas do not meet Company's then-current requirements.

7. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

D. Ineffective Exercise of Renewal Option. Franchisee's failure to execute and deliver Company's then-current form of Franchise Agreement and release required by this Section within 30 days after Company delivers them to Franchisee for execution shall be deemed an election by Franchisee not to exercise the Renewal Option. If Franchisee fails to satisfy any renewal condition in a timely manner, this Agreement will expire on the last day of the Term without further notice from Company; provided, however, Franchisee shall remain obligated to comply with all provisions of this Agreement that expressly, or by their nature, survive the expiration or termination of this Agreement.

E. Extension.

1. If Company is in the process of revising, amending or renewing its franchise disclosure document or registration to sell franchises in the state where the Franchised Shop is located, or under Applicable Law cannot lawfully offer Franchisee its then-current form of Franchise Agreement at the time Franchisee delivers the Renewal Notice, Company may, in its sole discretion, offer to extend the terms and conditions of this Agreement on a Calendar Month-to-Calendar Month basis following the expiration of the Term (or the first Renewal term, as applicable) for a maximum period of 12 Calendar Months from the expiration date so that Company may lawfully offer its then-current form of Franchise Agreement.

2. If (i) Company is granting new franchises for new Warabimochi Kamakura Shops in the United States at the time when Franchisee is permitted to exercise the Renewal Option, and (ii) Franchisee has satisfied all of the other conditions for renewal and is in compliance with the provisions of this Agreement, and if, after 12 Calendar Months, Company still cannot lawfully offer its then-current form of Franchise Agreement, the parties shall be deemed to have extended this Agreement for the remainder of the then-current Renewal Term.

3. Nothing in this Section shall require Company to extend this Agreement if, at the time Franchisee delivers the Renewal Notice Franchisee is in material default under this Agreement.

**VI. APPROVED LOCATION; DEVELOPMENT; OPENING DATE**

A. Construction of the Approved Location.

1. At Franchisee's sole expense, Franchisee shall construct and equip the Approved Location so that it conforms to Company's current specifications for the construction, equipment and design of a Warabimochi Kamakura Shop set forth in the Manual.

2. Company will provide written design specifications and schematic plans for the design and appearance of a Warabimochi Kamakura Shop. Company's plans will include specifications for the design, appearance, décor, branding elements, layout, buildout and improvement of the Approved Location. Franchisee is solely responsible for preparing schematic renderings and presenting Company

with a preliminary design proposal for the Franchised Shop for Company's review and approval which identifies all material specifications for the design, appearance, trade dress elements, branding elements, color schemes, kitchen equipment, kitchen and dining room layouts, furnishings, and leasehold improvements for the Franchised Shop. Company will have 15 days to review Franchisee's preliminary design proposal and indicate its approval or disapproval in writing. If Company disapproves any part of Franchisee's preliminary proposal, Company will offer recommendations for any corrections that would allow Company to approve Franchisee's preliminary design proposal. Franchisee must resubmit the corrected preliminary design proposal for Company's review and approval, and Company will have another 15 days after receipt to consider it. Once Company issues written approval of Franchisee's preliminary design proposal, Franchisee may then move on to the next phase of development. Company's failure to reply by the end of any 15-day review period shall signify disapproval.

3. Franchisee understands that Company's review of Franchisee's preliminary design proposal will not offer feedback regarding the requirements of the Applicable Law governing restaurants, public accommodations for persons with disabilities or similar rules, zoning restrictions, building codes, permit requirements or applicable Lease restrictions. Franchisee is solely responsible for investigating the requirements of Applicable Law governing restaurants, public accommodations for persons with disabilities or similar rules, zoning restrictions, building codes, permit requirements or applicable Lease restrictions and ensuring that the Approved Location, as built, complies with all of these requirements.

4. Franchisee must obtain Company's written approval of the architect, design personnel and contractor that Franchisee desires to engage to prepare construction drawings so that Company may verify their overall reputation and credentials for workmanship, timeliness of performance, financial solvency, and experience with retail construction. Before Franchisee may begin permitting or actual construction work, Company must approve the specific set of design and construction plans prepared by these professionals for the Franchised Shop according to the specific dimensions, square footage and conditions of the Approved Location and the requirements of the Lease and Applicable Law. Company will notify Franchisee of its decision (i) within 15 days after receiving Franchisee's request for approval of a particular architectural, design or contracting firm together with appropriate supporting information demonstrating the firm's qualifications; and (ii) within 15 days after receiving the proposed set of construction drawings ("**Franchisee's Construction Drawings**"). Company's failure to reply by the end of 15 days shall signify disapproval.

5. Company is not a party to the contract that Franchisee signs with the architect, designer, contractor, or other professional that Company approves. Neither Company's recommendation nor approval of an architect, designer, contractor, or other professional is not an endorsement or guaranty of the quality of their work and Company has no liability whatsoever for the services that the professional renders to Franchisee. Company's approval of Franchisee's Construction Drawings, with or without additional conditions, does not certify that Franchisee's development, use or occupancy of the site as a Warabimochi Kamakura Shop will conform to Applicable Law or guaranty or warrant that operation of a Warabimochi Kamakura Shop at the site will be successful or profitable.

6. At a minimum, Franchisee's Construction Drawings must address, without limitation, layout, interior and exterior signs, lighting, flooring, mechanical systems, electrical systems, plumbing, carpentry, wall coverings, ceiling treatments, exhaust/ventilation systems, customer seating, preparation and storage areas, general trade dress components and other improvements that Franchisee intends to make or install, together with such other information as may be specified in the Manual or otherwise communicated to Franchisee in writing. Franchisee's Construction Drawings must demonstrate to Company's reasonable satisfaction that the Warabimochi Kamakura Shop when built will comply with the System's specifications. Franchisee may only use Franchisee's Construction Drawings for purposes of developing the Approved Location as a Warabimochi Kamakura Shop.

B. Development of Approved Location.

1. Franchisee shall cause all construction and other development work to be carried out in compliance with the version of Franchisee's Construction Drawings that Company approves without any material variation. Franchisee shall not make any material changes to the Franchisee's Construction Drawings without first submitting the changes in writing to Company for its approval.

2. Franchisee shall cause all construction and development work to conform with the requirements of the Lease and Applicable Law, including all government and utility permit requirements (such as, for example, zoning, sanitation, building, utility, and sign permits). Franchisee shall complete development of the Approved Location diligently, expeditiously and in a first-class manner at Franchisee's sole expense.

3. Franchisee is solely responsible for purchasing, leasing, or licensing all other equipment, fixtures, furniture, trade dress elements, signs, supplies, materials, and decorations that Company then requires for development and operation of Warabimochi Kamakura Shops from recommended, approved or required sources as directed by Company in the Manual and this Agreement. Franchisee understands and agrees that Company may designate all, or particular items, of the equipment, fixtures, furniture, trade dress elements, signs, supplies, materials, and decorations as Proprietary Products in accordance with this Agreement in which case the items must be purchased from the sources that Company identifies, which may include Company or its Affiliates.

4. Franchisee understands and agrees that it is solely responsible for supervising, and for the acts and omissions of, the architect, design, and construction personnel that it hires or retains. Franchisee shall obtain all customary contractors' lien waivers for the work performed. The fact that Company has approved the architect, design firm or contractor shall not (i) excuse Franchisee from the duty to obtain Company's approval of Franchisee's Construction Drawings; (ii) constitute an admission on Company's part to responsibility for preparing Franchisee's Construction Drawings; or (iii) make Company liable for design or construction work, delays, or defects of any kind.

5. Neither Company nor its Affiliates shall be responsible for any delays in development or opening of the Franchised Shop or for any loss resulting from the design of the Approved Location or approval of Franchisee's Construction Drawings.

6. Company shall have access to the Approved Location to inspect the work and performance by Franchisee's construction personnel, but is not obligated to inspect the project periodically during development or upon completion. Franchisee understands and agrees that if Company inspects the work and performance of Franchisee's construction personnel, the inspection is not for purposes of reviewing or certifying that development is in compliance with the Lease or Applicable Law, but solely to evaluate that development conforms with the version of Franchisee's Construction Drawings that Company has approved and otherwise with Company's specifications for design, appearance, trade dress elements, equipment, layout and leasehold improvements.

C. Opening Date.

1. Before Franchisee may open the Franchised Shop for business to the public, Franchisee must apply to Company for a written completion certificate that signifies that Company finds that the Approved Location, as built, substantially conforms to the version of Franchisee's Construction Drawings that Company has approved and that Franchisee has met all other pre-opening requirements including the following: (i) having at least one Primary Owner and Franchisee's designated Store Manager (if different than the Primary Owner) each complete the Initial Training Program and earn the designation

of Trained Manager; (ii) having Franchisee's Store Manager meet all of the other qualifications to earn the designation of Store Manager of the Franchised Shop; (iii) supplying Company with proof that it has in place insurance coverage as required by this Agreement; (iv) obtaining Company's approval of Franchisee's proposed Grand Opening Marketing; (v) acquiring a starting inventory of Proprietary Products and Non-Designated Goods/Services sufficient to commence doing business with the general public; (vi) implementing all of the other opening procedures in the Manual; and (ii) having all other managerial staff meet all of the other qualifications to earn the designation of a Trained Manager of the Franchised Shop. Company may require that Franchisee provide Company with photographs and video tapes showing the Approved Location's physical readiness to open for business.

2. Franchisee shall be in breach of this Agreement by engaging in transactions with the public before Company issues a written completion certificate unless Franchisee obtains Company's prior written consent to engage in these transactions.

3. If Franchisee believes Company has failed to adequately provide any services required by this Agreement to be performed by Company before or in connection with the Franchised Shop's opening, whether in regard to site selection, site development, the Initial Training Program, or any other matter affecting the establishment of the Franchised Shop, Franchisee shall so notify Company in writing within 60 days following the Opening Date. Absent timely notice to Company, Franchisee shall be deemed to acknowledge conclusively that (i) all required services to be performed by Company before or in connection with the Franchised Shop's opening were provided sufficiently and satisfactorily in Franchisee's judgment, and (ii) Franchisee and its officers, directors, shareholders, employees and agents have each waived any claim alleging facts to the contrary.

## **VII. TRAINING**

### **A. Initial Training Program.**

1. After Franchisee executes the Lease for the Approved Location, the parties shall mutually schedule the starting date for the management training module of the Initial Training Program, which Company will deliver at one or more locations that it designates. Company will provide the management training to up to three attendees, which may include Franchisee's Primary Owner, General Manager and Store Manager.

2. At the conclusion of the management training, if Company determines that Franchisee's Primary Owner or any managerial staff participating in training require additional instruction to qualify as a Trained Manager, Company will extend the training for up to fourteen days or such other period Company believes is necessary for the individual(s) in question to qualify as a Trained Manager.

3. Company will deliver the New Shop Opening training module of the Initial Training Program in the Franchised Shop for up to 14 days spanning the period beginning up to seven days before and including the Opening Date and up to seven days following the Opening Date. Company may shorten or waive the New Shop Opening training module as it deems appropriate in its sole discretion.

4. At the conclusion of the New Shop Opening training, if Company determines that an employee participating in the training requires additional instruction in order to demonstrate adequate proficiency to perform their responsibilities in a manner meeting Company's brand standards, Company will extend the training for such period as Company deems necessary.

5. If Franchisee asks Company to extend the Initial Training Program and deliver additional training to its management or opening employees, Company will agree to extend the training as

Company deems appropriate. In that case, the parties shall mutually determine the length and scope of the extended or supplemental training.

6. Because of Franchisee's payment of the Training Fee specified in this Agreement, Company will not charge Franchisee any tuition or additional training fee for delivering the standard Initial Training Program to Franchisee's Primary Owner and personnel, nor will Company be entitled to reimbursement for its training staff's travel expenses to deliver the New Shop Opening in the Franchised Shop.

7. For any extended or supplemental initial training, whether required by Company or requested by Franchisee, Franchisee must (i) pay Company a supplemental training fee equal to the then-current *per diem* training fee in the Manual for each training staff member providing the supplemental training multiplied by the number of days; and (ii) reimburse Company for its training staff's reasonable travel costs during the supplemental training period. Company may impose a *per diem* fee for each travel day. The entire supplemental training fee is payable before supplemental initial training begins and reimbursement of travel expenses is payable within 30 days of Company's invoice date.

8. As a condition of the opening the Franchised Shop for business, Franchisee's Primary Owner and Store Manager must each successfully complete the Initial Training Program. If Franchisee appoints a General Manager, the General Manager must also successfully complete the Initial Training Program.

9. If Franchisee is executing this Agreement in connection with exercising the Renewal Option, in consideration of Franchisee's payment of a renewal fee, Franchisee shall be entitled to participate in any training program that Company then provides for renewing franchisees on the same basis as other Network Members renewing contemporaneously.

10. Company may modify the Initial Training Program at any time without prior notice to Franchisee, including, without limitation, changing the location, duration, content or scope of the Initial Training Program, or changing instructors or mandatory training requirements, or replacing live instruction with training conducted using pre-recorded video that is delivered remotely.

**B. Management-Level Employees; Manager Qualifications.**

1. At all times after the Opening Date, the Franchised Shop must be under the direct supervision of at least one Store Manager, who may, but need not, be a Primary Owner. If Franchisee will operate multiple Franchised Shops, Franchisee may elect to appoint a General Manager.

2. Franchisee shall notify Company in writing of the names of its employees whom Franchisee designates as its General Manager (if any) and Store Manager and notify Company in writing of changes during the Term promptly after they occur.

3. If Franchisee owns more than one Warabimochi Kamakura Shop franchise, each Warabimochi Kamakura Shop must be under the direct, full-time supervision of a different Store Manager and have a separate management team consisting of at least one Trained Manager.

4. If Franchisee's Store Manager or other manager ends their employment with Franchisee for any reason, Company allows 90 days from their departure date for Franchisee to designate someone to fill their position and complete the applicable training for their position. Until Franchisee qualifies a new Store Manager, Franchisee's Primary Owner must temporarily perform the duties of Store Manager.

5. Company may change the criteria for earning Trained Manager status for a Store Manager and other managerial staff at any time effective upon notice to Franchisee. Company's notice shall specify any additional training or other requirements that Franchisee's management must complete in order to maintain his or her Trained Manager designation. Company shall allow each existing Trained Manager a reasonable amount of time, not to exceed 90 days, after the new criteria become effective in which to satisfy the additional training and other requirements without risking the loss of their Trained Manager designation.

6. A Trained Manager designation does not constitute a warranty, guaranty or endorsement by Company or its Affiliates of the person's skills, performance ability or business acumen. Neither Company nor its Affiliates shall have any responsibility for the operating results of the Franchised Shop or the performance of Franchisee's employees or agents.

C. Additional Provisions Regarding Training.

1. After the Opening Date, Franchisee may request permission to enroll new management-level employees in the Initial Training Program or receive on-site assistance or training. Franchisee understands and agrees that all additional training after the Opening Date shall be scheduled at mutually convenient times and subject to Company's other training commitments and that, as a condition to receiving additional training, Franchisee must pay Company's then-current *per diem* training fee stated in the Manual per training staff member and day. In connection with additional instruction that Company delivers at the Franchised Shop, Franchisee shall also reimburse Company for Company's reasonable travel expenses, including expenses for air and ground transportation, lodging, meals, and miscellaneous travel-related personal charges. Company may impose a *per diem* fee for each travel day in accordance with this Agreement. Company shall determine the number of members of its training team to send to the Approved Location for agreed-upon additional on-site training.

2. After the Opening Date, Company may periodically offer continuing education training programs at one or more designated locations or by remote video chat technology and require attendance by Franchisee's Primary Owner, General Manager (if any) and Store Manager or other management-level employees; provided, however, that Company shall not require that Franchisee's Primary Owner, General Manager and Store Manager each complete more than 10 days of additional training during any 12 Calendar Month period (excluding additional training necessitated by operating deficiencies). Franchisee shall be solely responsible for covering the personal expenses of its employees attending continuing and additional training programs, including transportation, lodging, food, salary, and other personal charges. Company will not charge a training fee for delivering additional training through video chat technology, but may charge a per person or *per diem* training fee for additional training that it conducts live at a Warabimochi Kamakura Shop including at the Franchised Shop.

3. In connection with any Event of Transfer, the proposed transferee's Primary Owner and Store Manager (if someone other than the Primary Owner) must each complete Company's Initial Training Program to Company's satisfaction and earn Trained Manager designation. Company must receive payment of both the Transfer Fee and the separate then-current Training Fee payable in connection with an Event of Transfer described in this Agreement before delivery of the Initial Training Program to the proposed transferee's personnel. The proposed transferee shall be solely responsible for all personal expenses that its Primary Owner and management personnel incur in connection with training, including transportation, lodging, food, salary, and other personal charges. Franchisee shall remain responsible for operation and management of the Franchised Shop until the proposed transferee's Primary Owner and management personnel (e.g., Store Manager and other managerial staff) complete Company's initial training program to Company's satisfaction and each earn a Trained Manager designation.

4. Franchisee is solely responsible for all personal expenses that its Primary Owner and employees incur to attend any of the training program offered by Company whether before or after the Opening Date, including costs for air and ground transportation, lodging, meals, personal expenses, and salaries. Company will not pay compensation for any services performed by trainees during any training program provided by Company even if, for example and without limitation, the training program requires that Franchisee or its employees work at a Warabimochi Kamakura Shop owned by Company or Company's Affiliates.

5. Franchisee agrees to allow Company to train persons unaffiliated to Franchisee at the Franchised Shop at a time mutually convenient to Franchisee and Company without compensation or reimbursement to Franchisee, for up to 30 days per Calendar Year.

## **VIII. WK INTELLECTUAL PROPERTY**

A. Ownership. Company owns all rights in the System and its various components, and Franchisee owns no rights in the System except for the license granted by this Agreement. Franchisee agrees not to contest, or assist any other person to contest, the validity of Company's rights and interest in the System, or any component thereof, either during the Term or after this Agreement terminates or expires.

### **B. Use of the System.**

1. In operating the Franchised Shop, Franchisee shall (i) use only the elements of the System designated by Company and only in the manner authorized and permitted by Company; (ii) use the System only in connection with the operation of the Franchised Shop and not in connection with other unrelated activities; (iii) display notices of trademark and service mark registrations in the exact manner that Company specifies; (iv) obtain fictitious or assumed name registrations as required by Applicable Law; and (v) prominently post notices to customers, suppliers and others with whom Franchisee deals informing them that Franchisee is the independent owner of the Franchised Shop operating under a license from Company.

2. Franchisee shall not use any of the Licensed Marks or any part thereof: (i) in its corporate or legal name (if Franchisee is a Business Entity); (ii) with any prefix, suffix or other modifying words, terms, designs, colors or symbols; (iii) in any modified form; (iv) in connection with the sale of any unauthorized goods or services; (v) in any manner not expressly authorized in writing by Company; or (vi) in any manner that may result in Company's liability for Franchisee's debts or obligations.

3. Franchisee shall not cover up, remove, or alter any patent, copyright, trademark, or other notices that Company requires Franchisee to use to signify Company's ownership of, or rights in, the WK Intellectual Property.

4. Company reserves the right to: (i) modify or discontinue licensing any of the WK Intellectual Property or other features of the System; (ii) add new names, marks, designs, logos or commercial symbols to the Licensed Marks and require that Franchisee use them and remove names, marks, designs, logos or commercial symbols from the Licensed Marks and require that Franchisee discontinue their use within a reasonable time; (iii) modify or discontinue practices, components or requirements incorporated within the scope of the System as of the Effective Date; and (iv) require that Franchisee introduce or observe new practices as part of the System in operating the Franchised Shop. Franchisee understands that Company at any time, without notice to Franchisee, may modify the System, in which case, Franchisee shall comply, at Franchisee's sole expense, with Company's directions regarding changes in the System within a reasonable time after written notice from Company. Company shall have no liability

to Franchisee for any cost, expense, loss, or damage that Franchisee incurs in complying with Company's directions and conforming to required changes to the System.

5. Franchisee understands and agrees that any unauthorized use of the System or its components by Franchisee shall constitute both a breach of this Agreement and an infringement of Company's intellectual property rights.

C. Manual.

1. Franchisee has the limited right to use Company's Manual during the Term. The Manual is, and at all times will remain, Company's sole property and Company owns all intellectual property rights in its content.

2. Franchisee will treat all information contained in the Manual as Confidential Information and use all reasonable efforts to keep the information secret. Without Company's prior written consent, Franchisee will not copy, duplicate, print, record or otherwise reproduce the Manual, in whole or in part, or otherwise make the Manual available to Franchisee's employee or independent contractors who do not require access to its contents in order to carry out his or her work duties. Any misuse of the Manual or other Confidential Information by Franchisee's employees or contractors to whom access is given that violates this Agreement shall constitute a breach of this Agreement by Franchisee.

3. If any portions of the Manual is furnished in a printed "hard" copy rather than electronic or digital format, Franchisee shall take adequate precautions to ensure that when the Manual is not in use by authorized personnel, Franchisee shall keep the Manual in a locked receptacle at the Franchise Office and shall only grant authorized personnel, as defined in the Manual, access to the key or lock combination of the receptacle.

4. If the Manual is furnished in electronic or digital format by, for example, posting the Brand Standards on a Network Portal in the future, Franchisee understands that Company will issue separate access passwords to Franchisee's Store Manager and Franchisee's Primary Owner (if different people). Franchisee shall be in breach of this Agreement if any person with authorized user credentials to the Network Portal shares their authorized user credentials with anyone else including other personnel in Franchisee's organization or otherwise misuses the Manual or other Confidential Information. Franchisee shall take steps to ensure that, if any content is printed, the copies are kept in a secure place to prevent their inadvertent disclosure to persons not authorized to have the information.

5. The Manual contains both mandatory and recommended specifications, standards, procedures, rules, and other information pertinent to the System and Franchisee's obligations under this Agreement. The Manual, as modified by Company from time to time, is an integral part of this Agreement and all provisions now or hereafter contained in the Manual or otherwise communicated to Franchisee in writing are expressly incorporated in this Agreement by this reference and made a part hereof. Franchisee shall fully comply with all mandatory requirements now or hereafter included in the Manual and understands and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination.

6. Company reserves the right to modify the Manual from time to time to reflect changes that it may implement in the mandatory and recommended specifications, components, standards, and operating procedures of the System. All revisions will be reflected in written or electronic supplements to the Manual or in other written or electronic communications delivered to Franchisee, and each supplement or communication shall become effective when it is posted on the Network Portal (if one is created) or, if not created, on the date specified by Company. If updates are provided by "hard" copy (as

opposed to electronically), Franchisee shall insert any updated pages in its copy of the Manual upon receipt and remove superseded pages and return them to Company within 5 days following receipt. Franchisee shall adapt its operations to all revisions that Company makes to mandatory specifications, standards, operating procedures, and rules at Franchisee's sole expense. Unless this Agreement designates a different time period in which to adopt changes to the System that Company may make through updates to the Manual, Franchisee shall have a reasonable amount of time, which will be no less than 30 days from the date an update is effective, or the longer period specified by Company.

7. Franchisee will cease accessing and, in accordance with Company's instructions, either promptly destroy or return to Company any physical copies that Franchisee has made of any portion of the Manual upon expiration or termination of this Agreement or consummation of an Event of Transfer.

D. Confidential Information.

1. Franchisee acknowledges that Company will disclose Confidential Information to Franchisee throughout the Term in various ways which include by loaning Franchisee a copy of Manual, providing other written instructions and bulletins, arranging for the supply of Proprietary Products, and otherwise through the performance of Company's obligations and the exercise of its rights under this Agreement. Franchisee shall acquire no interest in Confidential Information, other than a license to utilize it in the operation of the Franchised Shop subject to the terms of this Agreement.

2. Franchisee's use, publication, or duplication of Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by Franchisee and, additionally, grounds for termination of this Agreement.

3. Franchisee agrees to: (i) confine disclosure of Confidential Information to those of its management, employees and agents who require access in order to perform the functions for which they have been hired or retained; and (ii) observe and implement reasonable procedures prescribed from time to time by Company to prevent the unauthorized or inadvertent use, publication or disclosure of Confidential Information including requiring that any employee with access to Confidential Information, who are not otherwise required to sign a Confidentiality and Non-Competition Agreement, execute Company's current form of Confidentiality and Non-Competition Agreement with Franchisee. Upon request from Company, Franchisee shall deliver to Company a copy of each executed Confidentiality and Non-Competition Agreement for its records. Company may terminate this Agreement if Franchisee, or any person required by this Agreement to execute a Confidentiality and Non-Competition Agreement with Company or Franchisee, breaches the Confidentiality and Non-Competition Agreement. All agreements contained in this Agreement pertaining to Confidential Information shall survive the expiration, termination, or Franchisee's assignment of this Agreement.

4. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding if Franchisee has used its best efforts to provide Company a reasonable opportunity to obtain an appropriate protective order or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

E. Defense of the System.

1. Company shall have the sole right to handle disputes with third parties challenging the rights of Company or Company's Affiliates, or their respective owners, in, or Franchisee's use of, the System or its components.

2. Franchisee shall immediately notify Company in writing if Franchisee receives notice, or is informed, of any: (i) improper use of any of the components of the System; (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's sole discretion, may be confusingly similar to any of the Licensed Marks; (iii) use by any third party of any business practice which, in Franchisee's sole discretion, unfairly simulates the System in a manner likely to confuse or deceive the public; or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of any of the components of the System. A legal proceeding, use, demand, or threat encompassing the subject matters described in (i), (ii), (iii) and (iv) is collectively referred to as a "**Third Party Claim.**"

3. Company shall have sole discretion to take such action as it deems appropriate, including to take no action, and the sole right to control any legal proceeding or negotiation arising out of a Third-Party Claim.

4. Franchisee shall not settle or compromise any Third-Party Claim and agrees to be bound by Company's decisions over how to handle a Third-Party Claim. Franchisee shall cooperate fully with Company and execute such documents and perform such actions as may, in Company's sole discretion, be necessary, appropriate or advisable in the defense of a Third Party Claim and to protect and maintain Company's or Company's Affiliates', or their respective owners', rights in, or Franchisee's use of, the System or its components.

5. Except as provided in this Section, Company agrees to defend Franchisee against the Third-Party Claim provided Franchisee has notified Company immediately after learning of the Third-Party Claim and fully cooperates in the defense of the Third-Party Claim. The rights granted to Franchisee under this Section shall be Franchisee's sole and exclusive remedy in the event of any Third-Party Claim involving any element of the System.

a. Because Company will defend the third-party claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter.

b. Notwithstanding Company's agreement to defend Franchisee under the conditions stated in this Section, Franchisee understands and agrees that Company is not liable to indemnify or reimburse Franchisee for any liability, costs, expenses, damages or losses that Franchisee may sustain as a result of the Third Party Claim, with the exception that Company shall (i) reimburse Franchisee for Franchisee's actual direct costs to change any signs, uniforms or other materials that bear the Licensed Marks or change any property incorporating any other feature of the System that is found to infringe the rights of a third party, and (ii) if a judgment is rendered against Franchisee, indemnify Franchisee for the amount of any damages awarded as part of the judgment.

c. Franchisee must assign to Company any claims that it may have against the third party asserting the infringement claim.

d. Franchisee, on behalf of itself and its Affiliates hereby waives any claim against Company, Company's Affiliates, and their respective officers, directors, shareholders, employees and agents for lost profits or consequential damages of any kind based on Third Party Claims involving the System.

6. Company's indemnity obligation set forth in this Section shall not extend to any Third-Party Claim that is based, directly or indirectly, upon Franchisee's misuse of the System. Furthermore, Company's indemnity obligation set forth in this Section shall not extend to any Third Party Claim that arises out of or relates to: (i) any form of misuse of the System by any of Franchisee's

employees, agents, customers or other invitees; (ii) the unauthorized physical entry into the Approved Location or into the Computer System by a third party if Franchisee has not used due care to implement and enforce customary security measures to prevent unauthorized entry by third parties.

## **IX. PAYMENTS**

In addition to the fees and payments identified elsewhere in this Agreement, in consideration of the franchise and license granted to Franchisee pursuant to this Agreement, Franchisee shall make the following payments to Company:

### **A. Initial Franchise Fee.**

1. If the parties are not also parties to an Area Development Agreement, Franchisee shall pay to Company in full upon execution of this Agreement, an initial franchise fee of \$40,000 (the “**Initial Franchise Fee**”), less any deposit previously paid by Franchisee. The amount of the Initial Franchise Fee will depend on the total number of Franchise Agreements that the parties have entered into on or before the Effective Date (including this Agreement). The Initial Franchise Fee shall be fully earned when paid and no portion of it is refundable except under the specific conditions expressly stated in this Agreement. If Franchisee elects to terminate this Agreement before the Lease for the Approved Location is signed, Company will refund 50% of the Initial Franchise Fee that Franchisee has paid to Company upon Franchisee’s delivery of an executed general release, in form satisfactory to Company, of any and all claims against Company, Company’s Affiliates and their respective officers, directors, shareholders, employees and agents.

2. If the parties are also parties to an Area Development Agreement, Franchisee shall pay to Company in full upon execution of this Agreement the applicable Initial Franchise Fee in accordance with this Section, reduced by the credit given pursuant to the Area Development Agreement for a portion of the Development Fees previously paid to Company for each Franchised Shop in Franchisee’s Development Quota.

**B. Training Fee.** Separate and apart from the Initial Franchise Fee, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Training Fee of \$15,000 (“**Training Fee**”). The Training Fee is due at least seven days before the date the training is scheduled to begin. The Training Fee is not refundable.

**C. Legal Processing Fee.** Upon execution of this Agreement, Franchisee shall pay Company a Legal Processing Fee of \$3,000 to cover costs Company incurs processing the franchise documents for the Franchises Shop, including preparation of this Agreement. The Legal Processing Fee is a flat fee and will not be modified based on the specific costs that Company incurs. The Legal Processing Fee is fully earned when paid and not refundable under any circumstances.

**D. Security Deposit.** Upon Franchisee’s execution of this Agreement, separate and apart from the Initial Franchise Fee, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a refundable Security Deposit of \$5,000 (the “**Security Deposit**”). Franchisee must pay Company the Security Deposit within 30 days of signing the Franchise Agreement. Franchisee understands and agrees that the Security Deposit shall not earn interest while it is held by Company, and Company may charge the Security Deposit at any time, without prior written notice to Franchisee or serving Franchisee with a written notice of default, if Franchisee fails to pay Royalty Fees, Brand Development Fees, or any other payments (including late charges) due to Company under this Agreement or due to any of Company’s Affiliates for products or services. By charging the Security Deposit, Company shall not waive any of its rights or remedies under this Agreement or Applicable Laws, including, without limitation, the right to collect late

charges. Company shall notify Franchisee after debiting the Security Deposit and Franchisee shall have 15 days after receipt of Company's notice to restore the Security Deposit to the full amount.

E. Royalty Fee. Starting on the Opening Date and for the remainder of the Term, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Royalty Fee equal to 6.5% of the aggregate Gross Sales of the Franchised Shop. Until further notice, the Royalty Fee shall be due and payable monthly, on or before the 15th of day of each month based upon the aggregate Gross Sales of the Franchised Shop for preceding month. Payment shall be accomplished following Company's automated clearing house procedures described in the Manual which may include payment by automatic direct debit or an equivalent system that eliminates delay in crediting Company's bank account with the Royalty Fees due for each period. Upon request, Franchisee shall deliver a true and correct copy of its agreement with its bank and its bank records if an automated clearing house transaction fails for any reason. Additionally, Company may give instructions to Franchisee's bank to remit payment to Company for the amount due based on Gross Sales recorded by the Computer System to which Company has remote access.

F. Brand Development Fee. Company reserves the right, upon 90 days' written notice to Franchisee, to create a Brand Development Fund as described in Section XII.A below. Once implemented, and for the remainder of the Term, Franchisee shall pay to Company, without offset, credit or deduction of any kind, a Brand Development Fee equal to 1.0% of the Gross Sales of the Franchised Shop ("**Brand Development Fee**"), provided that Company may, on 90 days' written notice to Franchisee, increase the amount of the Brand Development Fee in increments of 0.5% of Gross Sales, not more frequently than every six months, to a maximum of 3.0% of Gross Sales. The Brand Development Fee shall be due and payable for the same period and on the same date as the Royalty Fee.

G. Additional Assistance Fee. If Company's representative(s) provide any additional assistance or training, Franchisee shall pay the then-current per diem fee (currently, \$250 per day), plus actual transportation and lodging expenses within 30 days of Franchisee's receipt of an invoice from Company. Company has the right to increase the fee annually.

H. Payment Method.

1. All fees and other payments required to be paid to Company shall be made through an electronic payment system designated by Company that uses pre-authorized transfers from Franchisee's designated operating account to Company through automated clearing house, or, if Company requests, by special checks or other equivalent payment system that Company designates in the Manual or otherwise in writing.

2. Franchisee shall give its bank instructions in a form provided or approved by Company and obtain the bank's agreement to follow the instructions to effectuate the electronic payment system meeting Company's requirements. Without Company's prior written consent, the bank may not withdraw, modify, or cancel its agreement to abide by the instructions provided by Franchisee. Franchisee must also execute any other documents or agreements reasonable or necessary to establish or maintain the electronic payment system as Company or the bank may reasonably request from time to time. Franchisee understands that Company may modify the electronic payment system at any time upon written notice and agrees to promptly conform to the changes at its sole expense, which may require changes to the bank's agreement.

3. Franchisee shall deposit all Gross Sales from the Franchised Shop into the designated operating account accessed by the electronic payment system within 24 hours of receipt. It shall be a material breach of this Agreement for Franchisee to use another bank account for any purpose to operate the Franchised Shop besides the designated operating account.

4. Franchisee shall maintain sufficient funds in the designated operating account at all times during the Term to ensure full payment of all fees and other payments required by this Agreement that are based upon the Gross Sales of the Franchised Shop, interest, and all other obligations payable to Company when due. If a payment cannot be made due to insufficient funds in Franchisee's operating account, Company may, in its sole discretion or election, (i) declare a material default of this Agreement; or (ii) without waiving its right to declare a material default, charge the Security Deposit for the amount of the insufficiency. Company will also charge: (i) a fee equal to \$100 each time Franchisee fails to maintain sufficient funds in the designated operating account; and (ii) interest on the past due payment equal to the lesser of 2% or the highest commercial contract interest rate allowed by applicable law. Additionally, following the first instance of an insufficient payment, Company may require that Franchisee direct its bank to send Company a monthly or periodic statement showing all account activity at the same time that it sends such statements to Franchisee or give Company electronic access to Franchisee's account activity if the bank makes electronic access available to its account holders.

5. Franchisee understands and agrees that its failure to report Gross Sales for any period will prevent Company from debiting Franchisee's operating account with the appropriate amount due to Company. In that event, Franchisee authorizes Company to debit its operating account for 120% of the last payment of the Royalty Fee and Brand Development Fee (each of which are based on Gross Sales) paid to Company together with the late fees and interest permitted by this Agreement even if Franchisee subsequently reports its Gross Sales for the accounting period and demonstrates that the amount debited exceeds Franchisee's actual Gross Sales for the accounting period.

6. Unless Franchisee notifies Company in writing within 3 days after Company debits Franchisee's operating account of an error in the amount that Company debits for any Accounting Period, Franchisee shall be barred forever from challenging the amount that Company debits. However, if at any time Company discovers that the amounts that Company has debited from Franchisee's operating account are less than the amounts actually due to Company based on the Franchised Shop's actual Gross Sales for the relevant Accounting Period, Company may immediately debit Franchisee's operating account for the balance.

7. Nothing in this Section is intended to excuse Franchisee's obligation to report Gross Sales for any Accounting Period in a timely and accurate fashion or to limit or waive Company's right to declare Franchisee in material default based upon nonpayment of the fees or other payments due to Company.

8. Franchisee shall bear all costs to establish and maintain the required electronic payment system meeting Company's requirements and all fees and charges resulting from insufficient funds being in Franchisee's bank accounts at the time funds are withdrawn to pay obligations owed to Company or Company's Affiliates. The duty to maintain an electronic payment system shall not change the date on which payments are due under this Agreement.

I. Adjustments to Fees: If this Agreement does not specify a particular percentage by which Company may annually increase a fee that is expressed in this Agreement as a fixed dollar amount, Company may increase the fixed dollar amount fee based on increases to the U.S. Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics or a successor agency using as the base CPI the CPI Index level on the Effective Date. Adjustments will take effect on each January 1 during the term of the Franchise Agreement based on the increase to the CPI Index since the Effective Date or last adjustment.

J. Per Diem Fees. Any fees expressed as a *per diem* rate are not prorated even if the delivery of services involves less than a full day (8 hours). In addition, Company shall be entitled to a *per diem* fee

for any travel day that takes longer than 2 hours to complete in either direction to or from Company's headquarters and the Franchised Shop.

K. Late Charge. If Franchisee fails to pay any fees or other amounts due to Company under this Agreement on or before the date payment is due, Franchisee shall additionally be obligated to pay, as a late charge, the product of the total amount past due multiplied by 1.5% per Calendar Month (but not to exceed the maximum legal rate of interest then permitted under Applicable Law) calculated starting on the date payment was due and continuing until the entire sum and late charge is paid in full. Franchisee understands and agrees that the late charge is not an agreement by Company to accept any payment after the date payment is due or a commitment by Company to extend credit to, or otherwise finance, the Franchised Shop. Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement in accordance with the requirements of this Agreement notwithstanding Franchisee's obligation to pay a late charge.

L. Application of Payments. Notwithstanding any designation given to a payment by Franchisee, Company shall have the sole discretion to apply any payments from Franchisee to any past due indebtedness owed to Company or Company's Affiliates in the amounts and in such order as Company shall determine.

M. Gross Receipts or Equivalent Taxes. Franchisee will pay to Company the amount of any state or local sales, use, gross receipts, or similar tax that Company may be required to pay now or in the future as determined by any state or local government on any Royalty Fees or other payments that Franchisee pays to Company under this Agreement regardless of whether the state or local tax is imposed directly on Company, is required to be withheld by Franchisee from amounts due to Company under this Agreement, or is otherwise required to be collected by Franchisee from Company. Franchisee's payment of taxes to Company must be paid on or before the date payment must be withheld by Franchisee or paid by Franchisee under Applicable Law and Franchisee shall pay Company the amount of taxes due and owing in the same manner as payment of the Royalty Fee. Franchisee's obligation under this Section will not be reduced or offset by any type of claim, credit, or deduction of any kind. This provision will not apply to Company's liability for income, business and occupation, or similar taxes imposed based on Company's business activities or income that Company receives on account of its relationship with Franchisee.

## **X. ACCOUNTING AND RECORDS**

A. Maintenance of Business Records. During the Term, Franchisee shall maintain full, complete, and accurate business records in accordance with the standards stated in the Manual or otherwise prescribed by Company in writing. Franchisee shall keep all business records and required business equipment and business software systems together at the place where notices to Franchisee are required to be sent unless Company grants Franchisee permission to keep its business records elsewhere. All business records that this Agreement requires Franchisee to maintain shall be retained by Franchisee for a minimum of 5 years during, and following, the expiration, termination, or an Event of Transfer of this Agreement.

### **B. Reports.**

1. After the Opening Date, Franchisee shall submit to Company on or before the date specified in the Manual the financial, operational and statistical reports and information as Company may require to (i) provide Franchisee with consultation and advice in accordance with this Agreement; (ii) monitor Franchisee's performance under this Agreement and Franchisee's purchases, revenue, operating costs, expenses and profitability; (iii) develop chain-wide statistics; (iv) develop new operating procedures; (v) develop new menu items and Proprietary Products and remove unsuccessful menu items

and unsuccessful Proprietary Products in the exercise of Company's reasonable business judgment; and (vi) implement changes in the System to respond to competitive and marketplace changes or to improve and enhance the reputation of the Licensed Marks and consumer awareness and identity of Warabimochi Kamakura Shops generally.

2. Without limiting the types of reports that Company may require, Franchisee shall prepare and submit the following financial reports in accordance with the accounting, recordkeeping, and bookkeeping procedures and in the format prescribed in the Manual:

a. Reports summarizing Gross Sales which reports shall cover the same period and be due, and submitted with, all payments of continuing Royalty Fees and Brand Development Fees; and

b. Financial reports substantiating and documenting actual Gross Sales and the results of operation of the Franchised Shop, including a profit and loss statement and balance sheet, for each Accounting Period that Company designates, which, until further notice, shall be every 4- or 5-week period according to the schedule in the Manual. Each financial report shall include not only the financial results for the immediate Accounting Period just ended, but also cumulative information for the Calendar Year-to-date, together with such additional information as Company may request. All financial reports shall follow the format and accounting guidelines prescribed by Company in the Manual and be submitted to Company within 10 days after the end of each Accounting Period.

3. Company shall have the absolute right to remotely poll Franchisee's Computer System and point of sale and other financial records daily, or more frequently, by electronic or other remote means and Franchisee hereby grants Company authority to do so. Franchisee shall observe the mandatory requirements set forth in the Manual to enable Company's remote access to Franchisee's bank and operating records and, upon request, provide Company with all passwords, access keys and other security devices as necessary to permit Company's access to the information stored on Franchisee's Computer System and other computers on which Franchisee stores the Franchised Shop's financial records.

4. Franchisee shall promptly comply with Company's requests for additional information. This obligation includes: (i) supplying Company with an exact copy of all sales and income tax returns relating to the Franchised Shop at the time Franchisee files them with governmental authorities or within 10 days after Company requests a copy, and (ii) complying with Company's inventory control procedures to enable Company to evaluate ingredients, suppliers, food, beverage or other operating costs and the efficiency of Franchisee's operations.

5. Franchisee certifies that all reports, forms, records, information and data that Franchisee is required to maintain or submit, or voluntarily maintains or submits, or directs a third party to maintain or submit on its behalf, to Company, will be true and correct and not omit material facts that are necessary in order to make the information disclosed not misleading.

6. Each time Franchisee fails to provide reports by the required due date, Company shall charge Franchisee a fee equal to \$2,000.

C. Recording of Transactions. Franchisee shall use the Computer System prescribed by Company in the Manual, which Company may modify in its sole discretion from time to time, to track and record all sales and transactions with customers of the Franchised Shop. In addition to using the Computer System, Franchisee shall use other business and accounting software programs that Company designates in order to record business activities, sales and inventories and prepare operating and financial reports and records in accordance with the requirements of this Agreement and the Manual. Franchisee is solely

responsible for maintaining and upgrading the Computer System at Franchisee's sole expense in accordance with this Agreement.

D. Audit Rights.

1. Company and its representatives shall have full access to examine, audit and copy Franchisee's business records relating to the Franchised Shop, including Franchisee's federal and state income tax returns and sales tax returns, bank statements (including deposit slips and canceled checks for bank accounts that Franchisee uses to deposit Gross Sales or pay the expense of the Franchised Shop), data stored on Franchisee's Computer System, and any other documents and information that Company reasonably requests in order to verify Gross Sales and the other business activities of the Franchised Shop. When an examination or audit requires that Company or its representatives have access to the Approved Location or other place where Franchisee keeps its business records, Franchisee shall cooperate and provide access during normal business hours reasonably promptly following Company's request. Franchisee shall promptly comply with Company's reasonable requests for additional information within 10 days after receiving Company's written request.

2. If any examination or audit conducted by Company reveals any understatement in the Gross Sales or other false information reported by Franchisee to Company, then Franchisee shall, within 10 days after notice from Company, pay to Company any additional Royalty Fees and Brand Development Fees that are owed, together with interest and late charges as provided in this Agreement. Additionally, Company may require that, until further notice from Company, all future reports and financial statements submitted by Franchisee pursuant to this Agreement be prepared by an independent certified public accountant acceptable to Company.

3. If Company discovers that Franchisee has underreported Gross Sales by an amount that is 3% or more of the actual Gross Sales for the period, Franchisee shall also pay and reimburse Company for all expenses that Company incurs connected with Company's examination and audit, including, but not limited to, Company's accounting and legal fees and travel expenses.

4. If two or more audits or examinations of Franchisee's business records conducted within any 24 Calendar Month period disclose that Franchisee has underreported Gross Sales by an amount that is 2% or more of the actual Gross Sales for the period, then the second understatement shall be conclusively presumed to have been intentional for purposes of this Agreement. In addition to the consequences identified in this Agreement arising because of the understatement, Company may terminate this Agreement upon discovery of the second understatement based upon Franchisee's intentional underreporting of Gross Sales.

**XI. STANDARDS OF QUALITY AND PERFORMANCE**

A. General Provisions. Franchisee understands and agrees that:

1. Its strict and punctual performance of all obligations set forth in this Agreement, the Manual or otherwise communicated to Franchisee in writing is a condition of the franchise granted to Franchisee.

2. Company's designation, recommendation or approval of a supplier of either Proprietary Products or Non-Proprietary Goods/Services does not constitute a representation or warranty of the supplier's ability to meet Franchisee's purchasing requirements or of the fitness or merchantability of the items sold by the supplier and that Franchisee's sole remedy in the event of any shortages, delays or defects in the items purchased shall be against the supplier and not against Company or Company's

Affiliates unless Company or Company's Affiliate is the supplier, in which case Franchisee's remedies are set forth in this Agreement.

B. Proprietary Products.

1. Franchisee shall purchase, lease, or license the particular Proprietary Products that Company identifies and introduces into the System from time to time only from the supplier that Company specifies. The designated supplier of any particular Proprietary Products may include, or be limited to, Company or Company's Affiliates. If Company or Company's Affiliate is the designated supplier, Franchisee shall purchase Proprietary Products at the then-current price and payment terms published in the Manual, which Company may modify at any time without prior written notice to Franchisee.

2. Company may add new Proprietary Products and delete existing items from those that Company identifies as Proprietary Products and change the specifications, features, methods of use, formula, recipes, ingredients, designations, and other features of any Proprietary Products, or the designated supplier, as frequently as Company deems necessary in its sole discretion. Company may withdraw its designation of a particular item as Proprietary Products at any time in Company's sole discretion.

3. Franchisee shall conform to all changes pertaining to Proprietary Products at its sole expense promptly following written notice from Company unless Company's written notice specifies a later implementation date. If Company withdraws its approval of a particular item of Proprietary Products for reasons relating to public health or safety, Franchisee shall cease using or selling the Proprietary Products identified in Company's notice immediately or by the date indicated in Company's notice. Franchisee shall not place a new order for Proprietary Products with a supplier after receiving written notice that Company's approval of the supplier has been withdrawn or revoked.

4. Nothing in this Agreement shall obligate Company to reveal the specifications, features, formulas, recipes, ingredients, cost of goods, or other non-public information regarding Proprietary Products or information regarding Company's relationship with suppliers of Proprietary Products, all of which Franchisee understands and agrees constitute Confidential Information.

C. Non-Proprietary Goods/Services and Alternative Suppliers.

1. Company shall designate all Non-Proprietary Goods/Services which Franchisee may, or must, use, offer, sell, or promote in operating the Franchised Shop by brand name or other means of identification in the Manual or otherwise in writing.

2. Franchisee shall purchase, lease or license Non-Proprietary Goods/Services meeting Company's specifications only from suppliers that Company recommends or approves, which Company may revise in its sole discretion at any time and which in certain cases may include Company and Company's Affiliates. All changes in specifications for Non-Proprietary Goods/Services, or to the list of approved suppliers, shall be communicated to Franchisee by written supplements to the Manual or otherwise in writing. Specification changes to Non-Proprietary Goods/Services may include replacing Non-Proprietary Goods/Services with Proprietary Products that perform or satisfy the same or similar function or purpose or by adding, deleting, or changing a particular brand specification. Franchisee shall not place a new order for any Non-Proprietary Goods/Services with a supplier after receiving written notice (i) of changes unless Franchisee can demonstrate to Company's reasonable satisfaction, in the exercise of Company's reasonable business judgment, that the supplier will comply with Company's new requirements; or (ii) that Company's approval of the supplier has been withdrawn or revoked.

3. If Franchisee desires to offer for sale or use at the Franchised Shop any item that does not, at that time, meet Company's specifications for Non-Proprietary Goods/Services, or desires to purchase any Non-Proprietary Goods/Services from a supplier who is not on Company's approved supplier list, Franchisee shall submit a written request to Company identifying the proposed item or supplier, together with (i) samples of the item for examination and/or testing so that Company may evaluate if the item meets its specifications and quality standards, and/or (ii) information supporting the proposed supplier's financial capability, business reputation, delivery performance and credit rating. Company may charge a testing fee of \$300 per hour for approval of an alternative product, service, or supplier. Franchisee's payment of the testing fee shall be a condition to obtaining approval to offer for sale, or use, an item or buy from a supplier that is not at the time approved by Company. In addition to the testing fee, Franchisee must reimburse Company for the direct costs incurred by Company in processing Franchisee's request. The offer to pay the testing fee does not obligate Company to entertain Franchisee's request to consider a substitute supplier or items that do not meet Company's specifications for Non-Proprietary Goods/Services.

a. Company will notify Franchisee in writing within 20 business days after receiving all requested information and the required testing fee and completing any inspection or testing if it approves the proposed item and/or supplier. Company's failure to timely respond shall constitute its disapproval. Each supplier designated or approved by Company must comply with Company's usual and customary requirements regarding insurance, indemnification, and non-disclosure.

b. Franchisee understands and agrees that it is generally advantageous to the System to limit the number of suppliers of certain Non-Proprietary Goods/Services in any given market area and that, among the factors Company may consider in deciding whether, in its sole discretion, to approve a proposed supplier the effect its approval may have on the ability of Company and other Network Members to obtain the lowest prices and on the quality and uniformity of Non-Proprietary Goods/Services used or sold from Warabimochi Kamakura Shops.

c. At any time, Company may re-inspect the facilities of an approved supplier and revoke its approval of a supplier or item if, in Company's sole discretion, Company determines that doing so is in the best interests of Company or the System. Franchisee shall conform to all changes pertaining to Non-Proprietary Goods/Services at its sole expense promptly following written notice from Company unless Company's written notice specifies a later implementation date. If Company withdraws its approval of a particular item of Non-Proprietary Goods/Services or a supplier for reasons relating to public health or safety, Franchisee shall cease using or selling the Non-Proprietary Goods/Services identified in Company's notice immediately or by the date indicated in Company's notice.

d. While Company will use its reasonable best efforts to identify more than one recommended supplier per category of Non-Proprietary Goods/Services and to secure favorable pricing terms from third party suppliers whom Company recommends, Company makes no representation or warranty that the prices of Non-Proprietary Goods/Services offered for sale by recommended suppliers will be the lowest prices available from any supplier capable of furnishing the same Non-Proprietary Goods/Services meeting Company's specifications.

#### D. Equipment, Supplies, Décor and Inventory

1. Company will provide Franchisee with a listing the necessary equipment, supplies, décor items, and inventory for the Franchised Shop and related specifications and supplier requirements.

2. Company may modify the required equipment, supplies, décor items, and inventory by (i) removing or adding new items; (ii) changing quantities; (iii) changing the specifications or

brand name of items in the Equipment, Supplies and Décor Package; (iv) changing the prices or payment terms; (v) changing the supplier; or (vi) substituting a Proprietary Product for an item that is a Non-Proprietary Good/Service, or vice-versa. Company will communicate all changes through updates to the Manual.

E. Purchases from Company or Company's Affiliate.

1. If Company or Company's Affiliate is designated as the supplier of Proprietary Products or as a designated or recommended supplier of Non-Proprietary Goods/Services, Franchisee understands and agrees that Company or Company's Affiliate, as supplier, shall have sole discretion to establish and change prices and other terms of sale, shipment and delivery, which shall be stated on their invoice or purchase order forms or communicated to Franchisee by other means including by postings on a Network Portal if introduced in the future; provided, however, the prices that Franchisee shall pay shall be the same as the prices charged to similarly situated Network Members. Company and any Affiliate of Company may receive a profit from the sale of Proprietary Products or Non-Proprietary Goods/Services to Franchisee.

2. With respect to Non-Proprietary Goods/Services, if Company or Company's Affiliates is a recommended or designated supplier, Company makes no representation or warranty that the prices of Non-Proprietary Goods/Services that it offers to sell will be the lowest price available from any other supplier capable of furnishing the same Non-Proprietary Goods/Services meeting Company's specifications.

3. Company or Company's Affiliate, as supplier, may discontinue the sale of any Proprietary Products or Non-Proprietary Goods/Services for any reason upon reasonable notice to Franchisee, however, in the case of any Proprietary Products, Company shall not discontinue sales until after providing written notice identifying either an approved substitute supplier of the item or its decision to discontinue the item.

F. Standards of Service.

1. Franchisee shall (i) offer for sale, and sell, only the specific menu items designated by Company; (ii) label and identify all menu items offered for sale by the specific names, descriptions and other designations given to them by Company; (iii) use only the equipment, supplies, containers, materials, signs, and menu boards that conform to Company's current specifications and standards; (iv) adhere to Company's business operating methods including Company's instructions for storing and handling ingredients and other inventory items, preparing, and serving menu items, requirements for public safety, guidelines for Local Marketing, and specifications for reproducing the Licensed Marks; (v) update the physical appearance of the Approved Location to incorporate changes that Company may periodically make to the then-current specifications for the design, appearance and trade dress of Warabimochi Kamakura Shops; (vi) utilize the Computer System and other accounting and recordkeeping systems specific specified in the Manual or otherwise by Company in writing; and (vii) operate the Franchised Shop in accordance with Company's customer service standards and specifications including participating in the gift card and loyalty programs that may be authorized by Company in the future. Company shall set forth all specifications in the Manual or otherwise communicate them to Franchisee in writing and may revise them as frequently as Company deems necessary in its sole discretion to promote the System and respond to competitive and marketplace changes. Franchisee shall not offer for sale or sell any other kinds of products, merchandise, or services, or otherwise deviate from Company's current operating standards or specifications for services, products, or merchandise, except with Company's prior written consent.

2. Franchisee shall maintain sufficient quantities of ingredients (including Proprietary Ingredients), raw materials, supplies and other inventory items in stock in order to meet reasonably anticipated consumer demand.

3. Company may revise its authorized menu items at any time as frequently as Company deems necessary in its sole discretion to add new menu items, delete existing menu items, or modify the recipes, ingredients, brands, portion sizes, shapes, configurations, packaging, formula, menu names, or other features of menu items. Franchisee shall have a reasonable amount of time to implement all changes.

4. In preparing and producing menu items, Franchisee shall follow the recipes, production methods and processes, handling and packing requirements and other specifications that Company explains in the Manual and observe the highest commercial production standards of peer businesses giving maximum attention to public health and safety concerns. Franchisee will handle, store, and use all raw materials and other constituent elements and ingredients strictly according to sound commercial production practices and in a manner consistent with specifications in the Manual, which Company may revise as frequently as Company deems necessary in its sole discretion to promote the System and respond to competitive and marketplace changes.

5. Franchisee understands and agrees that (i) Company's authorized menu and menu formats may include, in Company's sole discretion, requirements concerning organization, graphics, use of brand names and other menu or product descriptions, illustrations and other design and content features; (ii) Company may vary the menu, menu format, descriptions and other designations by geographic market and other factors in Company's sole discretion; and (iii) Company may implement changes in (among other things) the menu, menu formats and customer service methods at certain Warabimochi Kamakura Shops or within selected geographic regions, but not in all Warabimochi Kamakura Shops in Company's sole discretion.

6. Company may, from time to time, authorize Franchisee to test specific new menu items, recipes, services, or delivery systems. Franchisee agrees to cooperate in test marketing programs in compliance with Company's guidelines without reimbursement or compensation of any kind.

7. Franchisee shall offer for sale to customers of the Franchised Shop the specific logo merchandise and products displaying the Licensed Marks that Company designates in the Manual, which Company may revise at any time.

8. Franchisee shall operate the Franchised Shop on all of the days and during the maximum number of hours per day permitted by the Lease unless Company's prior written approval of different days or hours is obtained. Before the Opening Date, Franchisee shall advise Company of the Franchised Shop's operating hours and, after the Opening Date, Franchisee shall promptly notify Company of any changes in its operating hours required by the Lease. Franchisee shall prominently disclose its operating hours to the public in the manner required by the Manual and shall be open and fully prepared to conduct business during all posted operating hours.

9. Franchisee shall, at its sole expense maintain (i) an active e-mail account and e-mail address with an established internet service provider, keep Company informed of its current e-mail address and manage its e-mail account so that it does not become full or otherwise incapable of accepting new messages and downloads if Company elects to furnish all, or portions of, the Manual or other information or documents electronically by means other than by postings on a Network Portal (if created); and (ii) an electronic data exchange service designated by Company to enable Company to remotely retrieve

sales, inventory and other operating data for the Franchised Shop as frequently as Company deems necessary.

10. Franchisee must follow Company's specifications for the genre and style of music that Franchisee may play at the Franchised Shop and install the equipment necessary to receive and play approved music. Franchisee shall not install or maintain on the Approved Location any newspaper racks, pay-to-play video or other types of gaming devices, ATM machines, juke boxes, vending machines rides or other similar devices except with Company's prior written consent. Franchisee is responsible for any costs associated with music licensing.

11. Franchisee shall not display any "for-sale" signs or other words indicating or implying that the Franchised Shop is for sale or that Franchisee is seeking or desires any form or type of Event of Transfer.

G. Operating Expenses. Franchisee shall pay all of the operating expenses of the Franchised Shop in a timely manner and understands and agrees that its failure to do so could materially harm the reputation of the Licensed Marks and the ability of Company and other Network Members to obtain the same favorable purchase, lease, or finance terms. If Franchisee has a bona fide dispute with any supplier or vendor that Franchisee believes justifies non-payment or partial payment, Franchisee must promptly notify the supplier or vendor of the particulars of its claim and diligently pursue resolution of the claim or prosecution of appropriate legal action. Any trade debt that remains unpaid for more than 60 days after the date it is due shall constitute a breach of this Agreement unless, before the end of the 60-day period (i) Franchisee and the supplier or vendor agree to alternative payment terms; or (ii) Franchisee initiates appropriate legal action to contest the trade debt. Company shall have no liability for Franchisee's debts or obligations to third parties.

H. Computer System.

1. Franchisee shall purchase or lease, and install all of the hardware components, and license the operating software that Company identifies as part of the Computer System before the Opening Date and cause the Computer System to be fully operational before the Opening Date from any supplier that Company designates or, if there is no designated supplier, from any recommended or approved supplier. Franchisee shall additionally maintain a service contract in force for the Computer System with a designated or approved service provider that covers hardware maintenance, technical support, and software updates and upgrades.

2. Company may impose changes in the mandatory specification for the Computer System as frequently as Company deems to be in the best interest of the System, including (i) replacing all of the hardware and software systems with new technology, which may be proprietary to Company or Company's Affiliate; and (ii) designating a specific vendor for the Computer System. Within a reasonable time, following Company's written notice, Franchisee shall conform to the changes that Company specifies at Franchisee's sole expense.

3. Franchisee shall use the Computer System as the exclusive means for tracking and maintaining Gross Sales, customer data, and any other functions that Company may prescribe.

4. Franchisee acknowledges and understands that all computer networks are vulnerable to, among other things, viruses, bugs, power disruptions, internet access and content failures, and attacks by hackers and other unauthorized intruders. Company does not guarantee that the Computer System that it requires Franchisee to use will be immune from these problems or attacks. Franchisee is solely responsible for protecting itself from these problems and agrees to take reasonable steps to secure its

systems through, among other things, firewalls, encryption, access code protection, antivirus systems, cybersecurity insurance, and backup systems.

5. Franchisee is solely responsible for complying with payment card industry (“PCI”) security standards and Applicable Laws regulating hardware, software, information processing, communication systems or other technology used in operation of the Franchised Shop, including for compliance with data protection, cybersecurity, security, abandoned property, and escheat Applicable Laws.

a. Company may require that Franchisee use the specific merchant and payment systems processor that Company designates, in which case Franchisee must use the payment terminal that Company’s designated processor requires at Franchisee’s sole expense.

b. If Company allows Franchisee to select a payment processor, Franchisee must take reasonable steps to verify that its personnel, vendors, contractors, and agents comply with these same PCI security standards and Applicable Laws and shall hold Company harmless from all applicable claims and liabilities. The payment processing equipment and terminal of the payment processor that Franchisee selects must be compatible with the Computer System. Franchisee is solely responsible for the security of cardholder data in the possession or control of any contractor that Franchisee engages to process credit cards. Upon request, Franchisee must provide Company with suitable documentation to demonstrate compliance with applicable PCI security standards by Franchisee and its contractors.

6. Franchisee shall check the email account at least once per day and agrees that Company may communicate any mandatory System updates and changes to the Manual, including changes to policies and standards, via e-mail. Company has the right, but not the obligation, to establish and maintain a website that may, without limitation, promote the Marks and/or the System, or serve as an intranet, extranet, or other means of electronic communication within the System. Company has the sole right to control all aspects of its website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage.

#### I. Approved Location and Tangible Property.

1. Franchisee shall, at its sole expense, maintain the condition and appearance of the Approved Location and all tangible property used to operate the Franchised Shop in the highest degree of cleanliness, orderliness, and repair, consistent with the standards, specifications, and requirements of the System and as Company may from time to time direct. Franchisee shall promptly replace any tangible property used to operate the Franchised Shop which becomes worn, damaged, and non-repairable, or mechanically impaired to the extent that it no longer adequately performs the function for which it was originally intended. All replacement items shall be of the same type, model and quality then specified in the Manual at the time replacement is required.

2. Franchisee understands and agrees that its failure to repair or maintain the Approved Location and the tangible property of the Franchised Shop in accordance with Company’s standards shall constitute a breach of this Agreement. Without waiving its right to terminate this Agreement for such reason, Company may notify Franchisee in writing specifying the action to be taken by Franchisee to correct the deficiency. If Franchisee fails or refuses to initiate a bona fide program to complete any required repair, maintenance, or corrective work within 30 days after receiving Company’s written notice, Company shall have the right, in addition to all other remedies, to enter the Approved Location and complete the required repair, maintenance or corrective work on Franchisee’s behalf. If Company reasonably believes that the deficiency presents a public health or safety issue, Company may set the deadline for correcting the deficiency to as little as 24 hours or the longer period that Company determines

is reasonable under the circumstances. Company shall have no liability to Franchisee for any work performed. If Company elects to perform required repair, maintenance or corrective work, or replace non-conforming property with conforming property, Franchisee shall be invoiced for labor and materials, plus a 25% service charge and an amount sufficient to reimburse Company for Company's actual direct costs to supervise, perform and inspect the work and procure any replacement items, including labor, materials, transportation, lodging, meals, contractor fees and other direct expenses, all of which shall be due and payable upon receipt of invoice.

3. Franchisee shall not alter or modify the Approved Location or any of the tangible property used to operate the Franchised Shop in a manner contrary to Company's then-current standards.

4. In addition to maintaining the Approved Location and tangible property in continuous good condition and repair in accordance with this Agreement, Franchisee shall, at its sole expense, periodically make reasonable capital expenditures to remodel, modernize, and redecorate the Approved Location so that the Franchised Shop at all times reflects the then-current image of the System.

J. Compliance With Laws. Franchisee shall at all times operate the Franchised Shop in strict compliance with Applicable Law. At Franchisee's sole expense, Franchisee shall secure and maintain in good standing all necessary licenses, permits, deposits and certificates required to operate the Franchised Shop lawfully and shall provide Company with proof of compliance promptly following Company's request.

K. Compliance with Master Franchise Agreement. Franchisee shall operate the Franchised Shop at all times in a manner that enables Company to comply with its obligations to the Master Franchisor or its successor under the Master Franchise Agreement. Franchisee understands that, among other duties, Company is obligated to report the financial results of all Warabimochi Kamakura Shops and remit a portion of certain fees that Company collects from its Franchisees to the Master Franchisor or its Affiliates or their or designees. If Franchisee fails to comply with its obligations of this Agreement and Franchisee's breach prevents Company from discharging its obligations under the Master Franchise Agreement and results in a fine, penalty or other financial liability being imposed on Company, Franchisee shall pay Company within 10 days following Company's written demand the full amount of the fine, penalty or other financial liability that Company owes under the terms of the Master Franchise Agreement. Franchisee understands that Franchisee's payment to Company does not limit Company's remedies under this Agreement due to Franchisee's breach nor does it limit Franchisee's indemnification duties owed to Company under this Agreement.

L. Local Marketing.

1. From and after the Opening Date and continuing for the remainder of the Term, Franchisee shall spend during each Calendar Quarter an amount equal to the then-current Minimum Local Marketing Obligation, without offset, credit or deduction of any nature except as expressly provided in this Agreement.

a. Company shall monitor Franchisee's compliance with the then-current Minimum Local Marketing Obligation each Calendar Quarter. Upon request, Franchisee shall submit appropriate documentation to substantiate the expenditures that it wishes Company to count to demonstrate its compliance with the then-current Minimum Local Marketing Obligation.

b. In determining if Franchisee is in compliance with the then-current Minimum Local Marketing Obligation, Company shall give Franchisee credit for the following expenditures: (i) the cost of advertising, marketing and other forms of promotional activities that Franchisee

undertakes to publicize and promote the Franchised Shop and increase customer awareness within Franchisee's trade area; and (ii) Franchisee's reasonable internal expenses that Franchisee can substantiate were incurred specifically and directly to develop, produce or publish approved Local Marketing not to exceed 10% of Franchisee's documented expenses during any Calendar Quarter paid to third parties directly related to Local Marketing. Company will not apply excess credits in a Calendar Quarter to reduce the Minimum Local Marketing Obligation in a later Calendar Quarter.

c. The parties agree that if, at the end of any given Calendar Year, Franchisee has not spent (or, in accordance with this sub-section, been given credit for spending) at least the then-current Minimum Local Marketing Obligation, then, in addition to, and not in lieu of, Company's right to declare Franchisee to be in breach of this Agreement, Franchisee shall promptly pay the difference between the actual amount spent and the then-current Minimum Local Marketing Obligation, plus an amount equal to 25% of the difference, to Company.

2. Franchisee shall comply with the written guidelines for Local Marketing set forth in the Manual with respect to all Local Marketing that Franchisee chooses to conduct. Franchisee understands that Company's written guidelines for Local Marketing may include the requirement that Local Marketing contain notices of the Warabimochi Kamakura Website domain name or similar information indicating the availability of Warabimochi Kamakura franchises from Company in the manner that Company designates. All Local Marketing must be clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and Company's written guidelines and other marketing policies that Company prescribes from time to time.

3. Franchisee shall not use, disseminate, broadcast, or publish any Local Marketing in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, third party and social media websites) without first obtaining Company's written approval of the copy, proposed media, method of distribution and marketing plan for the proposed Local Marketing. To apply for Company's approval of a proposed Local Marketing, Franchisee shall submit to Company a true and correct copy, sample, or transcript of the proposed Local Marketing, together with a written business plan that explains the proposed media plan, promotional event, or other intended use of the proposed Local Marketing. Company shall have 7 days from the date of receipt in which to approve or disapprove of the submitted materials. If written approval is not received by the end of 7 days, Company shall be deemed to have rejected the proposed Local Marketing. If written approval is given on or before the end of 7 days, Franchisee may use the proposed Local Marketing, but only in the exact form submitted to Company.

4. All social media and other forms of public or private online communications must comply with Company's social media networking policy in the Manual. Franchisee understands that Company has the absolute right to forbid Franchisee from posting any content pertaining to the Franchised Shop or Franchisee's relationship to Company on a third-party social media channel and may confine Franchisee's use of social media to channels and media sites owned and controlled by Company. In Company's discretion, if Company approves Franchisee's request to post content on third party social media sites, Franchisee must give Company administrator access rights to the approved third-party social media sites. Franchisee understands that administrator access rights allow Company and the social media site operator to communicate directly with each other and authorizes Company to manage or taken down the site if Company determines in its reasonable judgment that Franchisee is not complying with Company's social media policy. Company's right to take down content shall not be Company's sole remedy in the event of Franchisee's breach of Company's social media policy.

5. Franchisee shall observe Company's pricing policies, which Company may modify at any time. Franchisee recognizes that Company uses its pricing policies to differentiate Warabimochi Kamakura Shops from competitors and may use the Brand Development Fund to advertise

products and services at the specific resale prices that Company suggests. Nothing in this Agreement limits Company's right to implement policies regarding (i) the minimum prices at which Franchisee may advertise approved menu items or other products, merchandise or services authorized for sale from the Franchised Shop; (ii) the minimum or maximum retail prices that Franchisee may charge customers; or (iii) the obligation to participate in price promotions to the fullest extent permitted by Applicable Law. Franchisee shall have no right to object to Company's pricing policies and waives any claims arising from or related to Company's prescription or suggestion of retail prices to the fullest extent permitted by Applicable Law.

6. At Franchisee's expense, Franchisee shall immediately remove from circulation and cease using any previously approved Local Marketing if Company determines, in its sole discretion, that continued circulation or use may, or will, damage the integrity or reputation of the Licensed Marks, is otherwise necessary to protect the goodwill of the System and Company's and Company's Affiliates' reasonable business interests, or otherwise violates this Agreement.

7. Franchisee may not maintain its own website promoting the Franchised Shop or use the Licensed Marks in any domain name.

8. Company shall identify the Franchised Shop in its list of Approved Locations on the Warabimochi Kamakura Website and provide comparable information on its internet website about the Franchised Shop as Company provides for other Warabimochi Kamakura Shops.

M. Grand Opening Marketing. Franchisee must spend a minimum of \$5,000 on approved Local Marketing during the period beginning 30 days before and ending 60 days after the Opening Date to publicize the opening of the Franchised Shop. Within 30 days following Company's request, Franchisee must furnish Company with appropriate documentation substantiating that it spent at least the minimum \$5,000 minimum required on Local Marketing to publicize the Franchised Shop's grand opening. If Franchisee spends under \$5,000 during the 90-day timeframe, Franchisee must pay Company the difference plus 25%, which Company will deposit into the Brand Development Fund and spend in its discretion. Company credits any amount that the lease requires Franchisee to pay to the landlord for opening advertising fees towards Franchisee's minimum grand opening marketing obligation.

N. Credit Cards; Gift Card and Other System-Wide Marketing Programs.

1. Franchisee shall honor all credit cards designated by Company and enter into and maintain, at Franchisee's sole expense, all necessary credit card agreements with the issuers of designated cards.

2. If Company implements a Warabimochi Kamakura gift or loyalty card program in the future, upon no less than 30 days' written notice, Franchisee shall participate in, and abide by, the Warabimochi Kamakura program rules described in the Manual, as Company may revise it from time to time.

3. Franchisee may not issue any type of gift or loyalty card that is redeemable at Franchisee's Franchised Shop only without Company's prior approval, which Franchisee may apply for in the same manner applicable to Local Marketing generally.

4. Franchisee shall additionally participate in network-wide or United States marketing programs identified by Company, including gift or loyalty card programs, social networking programs, customer and marketing surveys, direct marketing programs and designated e-commerce programs.

O. Complaints and Other Actions. Franchisee shall promptly report to Company any incidents involving personal injury or property damage sustained by customers of the Franchised Shop at the Approved Location. Franchisee shall submit to Company promptly upon receipt copies of all customer complaints and notices and communications received from any government agency relating to alleged violations of Applicable Law and hereby authorizes the government agency to provide the same information directly to Company upon Company's request. Additionally, Franchisee shall promptly notify Company of any written threat, or the actual commencement, of any action, suit or proceeding against Franchisee, any person who is required by this Agreement to personally guaranty Franchisee's obligations to Company or involving the Approved Location or the business assets that might adversely affect the operation or financial condition of the Franchised Shop, and provide Company with a copy of all relevant documents.

P. Management and Staffing.

1. The Franchised Shop shall at all times during the Term be under the direct, personal supervision of at least one Store Manager who has earned the designation of Trained Manager. If Franchisee owns more than one franchise, the same individual may not be designated as the Store Manager of more than one Warabimochi Kamakura Shop at any time without Company's prior written consent.

2. Additionally, Franchisee shall employ or retain a sufficient number of competent non-management level employees or independent contractors and cause each of them to receive appropriate training to perform their job or work duties in accordance with the standards and specifications of the System as Company may require. Franchisee's General Manager (if any) and Store Manager shall be responsible for training and supervising Franchisee's non-management level employees and independent contractors in the performance of their job duties.

3. All employees and independent contractors whose duties include customer service shall have sufficient literacy and fluency in the English language, in Company's judgment, to serve the public. All employees and independent contractors, while working in the Franchised Shop, shall present a neat and clean appearance and wear the uniforms that Company designates for their jobs, in the color, style and design then specified by Company. Franchisee shall be responsible for the acts and omissions of its employees, independent contractors, and other agents, including its General Manager and Store Manager, arising during the course of their employment or, as to independent contractors and agents, their engagement by Franchisee.

4. Franchisee is solely responsible for hiring, firing, and establishing employment and engagement policies applicable to its management and non-management level employees and independent contractors, and understands and agrees that this Agreement does not impose any controls, or otherwise impinge, on Franchisee's sole discretion to make decisions pertaining to its employees, independent contractors, and other agents.

5. Upon request, Franchisee shall purchase logo uniforms for its employees and independent contractors from Company, Company's Affiliate or from Company's designated vendor.

6. In Franchisee's communications with its employees, independent contractors, prospective and actual customers, suppliers and other third parties, and the general public, Franchisee shall conspicuously identify itself as the independent owner of its business operating under a license from Company in a manner that meets the minimum requirements specified in the Manual. This includes identifying the legal name of the Franchisee Business Entity followed by "doing business as WARABIMOCHI KAMAKURA under a license from \_\_\_\_\_" on any business or telephone directory listings; emails sent by persons acting on behalf of Franchisee; vendor, customer, and public-facing statements and communications, bank checks; delivery or service vehicle signs; employee

handbooks prepared by Franchisee for Franchisee's employees; postings for new hires; salary checks and other communications identified in the Manual. Franchisee shall notify its employees before, at the time of, and after their date of hire they are employed solely by Franchisee and are not employees of Company and all pay checks that Franchisee issues to its employees shall be in the legal name of the Franchisee Business Entity.

7. Franchisee is and shall be solely responsible for the acts and omissions of its owners, employees, independent contractors, and other agents.

## **XII. COMPANY'S OPERATIONS ASSISTANCE**

In addition to obligations stated elsewhere in this Agreement, and provided that Franchisee is not in default under the terms of this Agreement, Company shall provide the following services:

### **A. Brand Development Fund.**

1. Company reserves the right, upon 90 days' written notice to Franchisee, to create a Brand Development Fund and require the payment of a Brand Development Fee as set forth in Section IX.F above. Brand Development Fees are the property of Company and may be deposited by Company into its general operating account. Company will deposit Brand Development Fees in a separate bank account apart from its general funds. The aggregate of the Brand Development Fees paid by Network Members either in or outside the United States is referred to as the "**Brand Development Fund.**"

2. Franchisee understands and agrees that the Brand Development Fund is not a trust and Company does not owe Franchisee a fiduciary duty based on Company's authority to administer the Brand Development Fund or for any other reason.

3. Company shall use the Brand Development Fund solely for the purpose of paying expenses associated with the creation, development and publication of advertising and promotional programs designed to enhance consumer awareness and identity of the Licensed Marks and Warabimochi Kamakura Shops generally for the benefit of all Warabimochi Kamakura Shops and their owners. Otherwise, Company shall not be restricted with respect to what, where and how the Brand Development Fund will be applied for the purposes described in this section. Company has complete sole discretion over the form, content, time, location, market and choice of media and markets for all advertising and promotion paid for from the Brand Development Fund proceeds. Without limiting the scope of Company's general authority and sole discretion, Company may use the Brand Development Fund to pay for the cost to (i) create, prepare and produce advertising and promotional formats, materials and samples including point of sale materials, advertising slicks and copy, promotional graphics, brochures, mailers, authorized gift cards and coupons; (ii) administer local, regional and national advertising programs, including buying media space or time, outdoor advertising art and space, direct mail lists, and customer lead generation and customer-directed advertising; (iii) maintain the Warabimochi Kamakura Website; (iv) maintain and host individual subpages for individual Warabimochi Kamakura Shops that Company may create; (v) maintain and host a Network Portal to promote communication among Network Members and invited guests regarding consumer marketing activities; (vi) employ advertising, public relations and media buying agencies; (vii) support public relations, market and consumer research; (viii) pay expenses directly associated with maintaining and administering the Brand Development Fund, including the cost to prepare annual accountings, expenses to collect Brand Development Fees from delinquent Network Members, and the cost of conducting the Annual Meeting if Company elects to hold one; and (ix) support the cost of any network-wide gift card and loyalty card programs to the extent expenses are not covered by Gift Card Administrative Fees.

a. Company makes no representation that any amount of the Brand Development Fund will be spent in the United States or any other particular geographic region or area or that monies will be spent in Franchisee's market area in proportion to Franchisee's contributions to the Brand Development Fund.

b. Company may (i) collect rebates, credits or other payments from suppliers based on purchases or sales by Franchisee, and (ii) condition its approval of a supplier on the supplier's willingness to agree to make such payments to Company or Company's Affiliates on account of Franchisee's purchases. Regardless of any designation given to the payments by a supplier, Company shall contribute all supplier payments to the Brand Development Fund as additional revenue unless a supplier requires Company to apply the rebates for a different purpose. The supplier payments that Company contributes to the Brand Development Fund shall not reduce Franchisee's obligation for Brand Development Fees. In other words, if a particular supplier pays Company a .02% rebate on account of Franchisee's purchases from the supplier, the amount of the rebate that Company contributes to the Brand Development Fund shall not reduce Franchisee's obligation for Brand Development Fees.

c. Company shall make marketing, advertising and promotional formats and sample materials created by the Brand Development Fund available to Franchisee with or without additional reasonable charge, in Company's sole discretion on the same terms that Company offers to other Network Members. Franchisee shall be solely responsible for all costs to reproduce the formats and materials for its own use and distribution. In connection with reproduction and use of formats and materials created by the Brand Development Fund, Franchisee shall observe Company's requirements with respect to protecting Company's rights in the WK Intellectual Property.

d. Within 90 days after the end of each Calendar Year, Company shall prepare an annual accounting of the Brand Development Fund and will furnish a copy of it to Franchisee upon request. While Company will attempt to expend Brand Development Fund collections on a current basis, it may recover over-expenditures from subsequent years and may carry forward under-expenditures.

e. Company may, but is not obligated to, loan money to the Brand Development Fund in the event desired expenditures for any period exceed the balance in the Brand Development Fund. Any funds loaned to the Brand Development Fund will be repayable upon demand when funds are available and bear interest at no more than 2 points over the prime lending rate of Bank of America, its successor, or, if no longer in operation, another national banking institution with headquarters in the United States.

f. Although Company intends to maintain the Brand Development Fund for the duration of the Term and any Renewal Term, Company reserves the right to terminate the Brand Development Fund at any time. If there is a balance in the Brand Development Fund after payment of final expenses when Company terminates the Brand Development Fund, Company shall refund part of the balance to all Network Members that paid Brand Development Fees for the Accounting Period before Company announced the Brand Development Fund's termination in proportion to the amount of each operator's contributions with Company's decision regarding the exact method for allocating the balance being final. Thereafter, Company may reinstate the Brand Development Fund effective upon no less than 30 days written notice to Franchisee.

4. For each Warabimochi Kamakura Shop that Company or Company's Affiliates own, Company or Company's Affiliates may, but are not required, to contribute to the Brand Development Fund. If they do, they are not required to contribute in the same percentage as Franchisee and may stop contributing at any time without notice to Franchisee.

B. Sale of Proprietary Products. In addition to the other provisions in this Agreement addressing the sale of Proprietary Products, as a supplier, Company or Company's Affiliate shall use reasonable commercial efforts to fill and ship Franchisee's orders reasonably promptly, but shall not be (i) liable to Franchisee for shortages, delays or defects due to causes beyond their control; or (ii) obligated to fill or ship any orders to Franchisee if Franchisee at the time is in material breach of any obligation under this Agreement.

C. Warabimochi Kamakura Website; Franchised Shop Subpage.

1. Company alone shall own and control the design and functionality of the Warabimochi Kamakura Website. If Company chooses to provide a separate subpage for the Franchised Shop, Company alone shall own and control the design and functionality of Franchisee's subpage.

2. Company shall identify the Franchised Shop in its list of Approved Locations on the Warabimochi Kamakura Website.

3. If Company elects to create a specific subpage for the Franchised Shop which is accessible from the Warabimochi Kamakura Website, Company shall technically support the Franchised Shop subpage. Franchisee may determine the content for the Franchised Shop subpage consistent with the guidelines in the Manual. Content that Franchisee desires to post on any internet website including on the Franchised Shop subpage if one exists is considered Local Marketing subject to Company's prior written consent.

4. Company shall not charge Franchisee a fee to initially set up the Franchised Shop subpage, but may impose a Webmaster Fee for content changes that Franchisee wishes to make afterwards to the subpage that require input by Company's webmaster based on the then-current hourly rates and actual time spent by Company's webmaster to accomplish Franchisee's requested changes. Payment is due within 10 days of invoice. Company will not credit Webmaster Fees that Franchisee pays for content changes to the Franchised Shop subpage to the then-current Minimum Local Marketing Obligation.

5. The Franchised Shop subpage may only be accessed through the domain address of the Warabimochi Kamakura Website and Franchisee agree not to link to, create a splash page for, or otherwise refer to the Franchised Shop subpage without prior written approval from Company. Company retains all rights relating to the Warabimochi Kamakura Website, Network Portal (if Company creates one), Franchised Shop subpage, or any other online communications system that Company sets up for communicating with Network Members or for Network Members to communicate among each other. All content that Franchisee wishes to place on the Franchised Shop subpage shall be treated as Local Marketing.

6. Company may discontinue hosting a specific subpage for the Franchised Shop in connection with Company's decision to eliminate subpages for all Network Members at any time without notice to Franchisee.

7. Company may discontinue operation of the Warabimochi Kamakura Website at any time without notice to Franchisee.

D. Continuing Consultation and Advice.

1. To the extent required in Company's sole discretion, Company shall provide regular consultation and advice to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Company's attention. Company shall have sole discretion to determine the method for communicating the consultation or advice, which may differ

from the methods used for other Network Members. For example, consultation and advice may be provided by telephone, in writing (in which case Company may furnish the written information electronically), on-site in person, or by other means.

2. If Franchisee requests additional on-site instruction and assistance after the Opening Date and if Company, in its discretion, agrees to furnish the additional on-site instruction and assistance, the parties shall mutually schedule the time and scope of the additional instruction and training. In connection with post-Opening Date on-site training delivered at Franchisee's request, Franchisee shall pay Company its then-current *per diem* training fee set forth in the Manual per training staff member and day and reimburse Company for Company's reasonable travel expenses, including air and ground transportation, lodging, meals, and miscellaneous travel-related personal charges.

E. Inspections.

1. In addition to Company's audit rights described in this Agreement, Franchisee expressly authorizes Company and its representatives, at any reasonable time, and without prior notice to Franchisee, to enter the premises of the Approved Location and conduct regular inspections of the Franchised Shop and Franchisee's methods of operation, including using digital and other monitoring services to observe and conduct discussions with Franchisee's employees, observe customer interaction and services, and review Franchisee's books and records (including data stored on the Computer System) in order to verify compliance with this Agreement and the Manual. In order to enable Company and its representatives to conduct inspections, Franchisee shall provide free of charge reasonable quantities of ingredients or other inventory items, menu items, Local Marketing or other samples for inspection and evaluation purposes to make certain that the items conform with Company's then-current standards.

2. Franchisee shall cooperate fully with Company's inspections and any mystery shopper or comparable programs that Company implements during the Term. At Franchisee's sole expense, Franchisee shall promptly cure all deviations from Company's standards, specifications and operating procedures of which Franchisee is notified either orally or in writing. Franchisee, on behalf of itself and, as applicable, its directors, officers, managers, employees, consultants, representatives, and agents, hereby waives any claim that any inspections or recordings violate any person's rights of privacy.

3. If an inspection report reveals a failing grade for the Franchised Shop and Company decides to revisit the Franchised Shop to evaluate whether Franchisee has adequately corrected the cited deviations from Company's standards, specifications and operating procedures, Company may impose a re-inspection fee in the then-current *per diem* amount specified in the Manual (currently, \$250 per day) and collect reimbursement for its reasonable travel expenses to send one of its staff members to revisit the Franchised Shop, including expenses for air and ground transportation, lodging, meals, and miscellaneous travel-related personal charges, which shall be all due and payable upon receipt of invoice issued at the time of the visit. Re-inspection visits may be combined with on-site coaching to address deficiencies or unsatisfactory conditions and may take as long as 3 days to complete.

4. Company may require that Franchisee enroll its General Manager and Store Manager in additional training if an inspection or mystery shopper reports indicate operating deficiencies which Company believes would be best rectified by in-person training. In addition to paying Company then-current post-opening training fee published in the Manual, Franchisee must reimburse Company for the travel expenses of Company's training staff members if Company elects to deliver post-opening training in the Franchised Shop or at another location more than an hour from Company's then-current headquarters. Company shall determine the location of any post-opening training.

F. Annual Meeting.

1. In addition to additional training, Company may conduct an annual meeting at a location that Company selects (the “**Annual Meeting**”) to address recently-implemented changes in the System and other topics of common interest to Network Members, including new merchandising approaches, changes in Proprietary Products and Non-Proprietary Goods/Services, changes to the approved menu and recipe updates, vendor relationships, industry trends, customer relations, personnel administration, local advertising and promotional strategies, and competitive changes.

2. If Company chooses to conduct an Annual Meeting, Company will determine the content, location, and length of the Annual Meeting; provided, however, the Annual Meeting shall not exceed 3 days in any 12 Calendar Month period. Company may require the attendance of Franchisee’s General Manager, Store Manager, Primary Owner, or other designated personnel at one or more Annual Meetings, provided, however, Company shall not require that more than two persons attend the Annual Meeting, which must include Franchisee’s Primary Owner, General Manager and Store Manager (if different people). Company may impose a per person registration fee if Company elects to hold the Annual Meeting as a live in-person event (as opposed to conducting the Annual Meeting by video chat technology or comparable method that does not require that Network Members meet in a physical space designated by Company), which shall be all due and payable no less than 60 days before the Annual Meeting start date. Additionally, Franchisee shall pay the transportation, lodging, personal expenses, and salary for each employee who attends a live in-person Annual Meeting.

G. Mystery Shopper Program. Company may implement a mystery shopper program using the services of an outside mystery shopper company to perform regular mystery shopper visits at the Franchised Shop in order to provide Company and Franchisee with critical feedback and insight into the effectiveness of Franchisee’s operations from a customer’s perspective. Company may direct the mystery shopper company to increase its visits to the Franchised Shop if Franchisee receives unsatisfactory customer satisfaction scores or Company’s inspections indicate operating deficiencies.

### **XIII. INSURANCE**

A. Minimum Coverage. Before the Opening Date, Franchisee shall procure, at its own expense, and maintain in full force and effect during the Term policies of insurance in accordance with the requirements of this Agreement, including the following terms and conditions:

1. Comprehensive commercial general liability insurance covering product liability, motor vehicle liability, bodily and personal injury/death, personal and advertising injury, and property damage liability with minimum liability coverage of \$1,000,000 per occurrence (including broad form contractual liability), or the higher amount required by the Lease, insuring Company and any affiliates it designates and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys’ fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or otherwise relating to the Franchised Shop or the activities of Franchisee’s employees. The required liability coverage shall not be limited in any way by reason of any insurance that Company maintains.

2. A general aggregate umbrella liability policy with not less than \$2,000,000 per occurrence and aggregate combined single limit.

3. Workers’ compensation meeting the minimum statutory requirements and with employers’ liability limits of not less than \$500,000 per accident, \$500,000 per disease, and \$500,000 policy limit, whichever is higher, as well as any disability benefits type insurance at the minimum limits required by law.

4. All “Risks” or “Special” form general casualty insurance coverage including fire and extended coverage, vandalism and malicious mischief insurance, and coverage for additional perils (including flood and earthquake coverage if applicable to the area where the Franchised Shop is located), for the full replacement value of the Franchised Shop and its contents based on the cost of replacing the damaged or destroyed property with property meeting Company’s current specifications at the time replacement is required. The minimum coverage shall be no less than the amounts specified in the Manual, if any, on the Effective Date.

5. Automobile insurance for each vehicle used to operate the Franchised Shop with minimum coverage of \$1,000,000 each occurrence, which may be met in the form of primary and excess coverage, and including coverage for owned, hired and non-owned automobiles.

6. Products liability insurance with minimum liability coverage of \$2,000,000 per occurrence.

7. Business interruption insurance in an amount sufficient to cover the Franchised Shop’s expenses (including payments due to Company), profits and losses for a minimum period of one year from the date of a closure due to an insured loss.

8. Additional types and amounts of insurance coverage as may be required by the Lease, including coverage for all parties that the Lease requires be covered as additional insureds.

9. Any person that Franchisee hires as a general contractor or to perform comparable services at the Approved Location must maintain general liability and builder’s risk insurance with comprehensive automobile liability coverage and worker’s compensation insurance in the minimum amount of \$1,000,000, plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.

**B. Additional Insurance Specifications.**

1. Company shall specify the deductible limits for each required insurance policy and may, from time to time, increase the minimum insurance requirements, establish and change deductible limits, require that Franchisee procure and maintain additional forms of insurance, and otherwise modify the insurance requirements contained in this Agreement based upon inflation, general industry standards, Company’s experience with claims, or for other commercially reasonable reasons. Franchisee shall comply with any change imposed by Company within 30 days after written notice from Company and shall submit written proof of compliance to Company upon request.

2. Each insurance policy required by this Agreement shall be written by insurance companies of recognized responsibility rated at least A-VII in the most recent A.M. Best Rating Guide and meeting the additional standards stated in the Manual. Before the Opening Date, or the earlier date specified in the Lease, and then not less than annually thereafter on or before January 1 of each Calendar Year after the Opening Date, Franchisee shall submit to Company certificates of insurance showing compliance with Company’s insurance requirements. Franchisee shall not begin construction or development of, or install equipment in, the Approved Location pursuant to Franchisee’s Construction Drawings until Franchisee submits proof of its general contractor’s insurance required by this Agreement. All certificates of insurance shall state that the policy will not be canceled or altered without at least 30 days prior written notice to Company. Maintenance of required insurance shall not relieve Franchisee of liability under the indemnity provisions set forth in this Agreement.

3. Company and any Affiliate of Company that Company designates shall each be named as an additional insured on all required insurance. Franchisee shall additionally cause each policy of insurance required by this Agreement to include a waiver of subrogation, which shall provide that Franchisee, on the one hand, and Company, on the other hand, each releases and relieves the other, and each waives its entire right to recover damages, in contract, tort and otherwise, against the other for any loss or damage occurring to Franchisee's property arising out of or resulting from any of the perils required to be insured against under this Agreement. The effect of these releases and waivers shall not be limited by the amount of insurance carried by Franchisee or as otherwise required by this Agreement or by any deductible applicable thereto.

4. Should Franchisee not procure or maintain the insurance required by this Agreement, Company may, without waiving its right to declare a breach of this Agreement based on the default, procure the required insurance coverage at Franchisee's expense, although Company has no obligation to do so. Franchisee shall pay Company, upon receipt of invoice, an amount equal to the premiums and related costs for the required insurance in full, plus a 25% service charge and an amount sufficient to reimburse Company for its actual direct costs in obtaining the required insurance.

5. Franchisee understands and agrees that the minimum insurance requirements set forth in this Agreement do not constitute a representation or warranty by Company that the minimum coverage and specified types of insurance will be sufficient for the Franchised Shop. Franchisee understands and agrees that it is solely responsible for determining whether the Franchised Shop requires higher coverage limits or other types of insurance protection.

#### **XIV. COVENANTS**

##### **A. Competition.**

1. During the Term and any Renewal Term, it shall be a breach of this Agreement for Franchisee, Franchisee's Affiliates or any Covered Person, directly or indirectly, to own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, a Competitive Business located anywhere in the world; provided, however, the restrictions stated in this paragraph shall not apply to any Covered Person for a period longer than 2 years from the date the Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

2. For a period of 2 years after expiration or termination of the last Franchise Agreement between Franchisee and Company, it shall be a breach of this Agreement for Franchisee, Franchisee's Affiliates or any Covered Person, directly or indirectly, to own (either beneficially or of record), engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business that is located anywhere within 5 miles of the Approved Location or any other Warabimochi Kamakura Shop anywhere in the world that is open for business on or after the Effective Date of Termination or Expiration or the effective date of an Event of Transfer; provided, however, the restrictions stated in this paragraph shall not apply to any Covered Person for longer than 2 years from the date that the Covered Person ceases to be associated in any capacity with Franchisee.

3. This Agreement does not prohibit Franchisee, Franchisee's Affiliates, or any Covered Person from owning 5% or less of the Ownership Interests of a Competitive Business whose Ownership Interests are publicly traded on a national or foreign stock exchange.

4. Franchisee acknowledges that the restrictions set forth in this Section are reasonable and necessary to protect Company's legitimate business interests which include taking reasonable measure to prevent Franchisee, Franchisee's Affiliates and Covered Persons from using Company's Confidential Information while this Franchise Agreement is in full force and effect to engage in activities that directly or indirectly benefit a Competitive Business.

B. Interference. Neither Franchisee nor any Covered Person shall, directly or indirectly, for itself or on behalf of any other person divert, or attempt to divert, any business or customer of the Franchised Shop to any competitor by direct or indirect inducement or perform any act that directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Licensed Marks or the System.

C. Written Agreement. As a condition of this Agreement, unless they have already done so, Franchisee shall cause each Covered Person to execute Company's form of Confidentiality and Non-Competition Agreement with Company containing restrictions substantively identical to the provisions of this Agreement.

D. Survival. The covenants in this Section shall survive the termination, expiration or transfer of this Agreement.

E. Savings Clause. The parties acknowledge that the covenants set forth in this Section are independent of the other covenants and provisions of this Agreement. If any provision in this Section is void or unenforceable under California law, but would be enforceable as written or as modified under Local Law, the parties agree that Local Law shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement with respect to the subjects covered in this Section, but only with respect to those subjects. Franchisee expressly authorizes Company to conform the scope of any void or unenforceable covenant in order to conform it to Local Law. Franchisee expressly agrees on behalf of itself and each Covered Person, to be bound by any modified covenant conforming to Local Law as if originally stated in this Agreement.

F. Enforcement. Franchisee understands and agrees that Company will suffer irreparable injury not capable of precise measurement in money damages if Franchisee or any Covered Person breaches the covenants set forth in this Section. Accordingly, in the event a breach occurs, Franchisee, on behalf of itself and each Covered Person, hereby consents to issuance or entry of Provisional Remedies without the requirement that Company post bond or comparable security. Franchisee further agrees that the award of Provisional Remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

## **XV. DEFAULT AND TERMINATION**

### **A. Termination by Franchisee.**

1. Franchisee may terminate this Agreement by written notice to Company for any reason constituting good cause, provided termination is accomplished in accordance with the requirements of this Agreement. Any attempt by Franchisee to terminate this agreement except on the grounds, or according to the procedures, stated in this Agreement shall be void.

2. Good cause means that Company has committed a material and substantial breach of this Agreement that it has not cured within the period allowed by this Agreement. Franchisee's written notice must specify with particularity the matters cited to be in default and provide Company with a minimum of 30 days in which to cure the default. Additional time to cure must be provided as is reasonable under the circumstances if a default cannot reasonably be cured within the minimum 30-day period.

Franchisee's written notice of termination of this Agreement for good cause shall not excuse Franchisee from continuing to perform its obligations under this Agreement during the cure period or entitle Franchisee to a refund of any money that Franchisee has paid to Company or Company's Affiliates pursuant to this Agreement.

B. Termination By Company Without Opportunity to Cure.

1. Company may terminate this Agreement, in its sole discretion and election, effective immediately upon Company's delivery of written notice of termination to Franchisee based upon the occurrence of any of the following events which shall be specified in Company's written notice, and Franchisee shall have no opportunity to cure a termination based on any of the following events:

a. Should Franchisee fail to obtain Company's written site approval within 120 days after the Effective Date;

b. Should Franchisee fail to deliver an executed copy of the Lease and an Addendum to Lease for the Approved Location within 180 days after the Effective Date;

c. Should Franchisee fail to use its best efforts to open the Franchised Shop for business within 365 days of the Effective Date;

d. Should Franchisee fail or refuse to pay, on or before the date payment is due, all Royalty Fees, Brand Development Fees, or any other amounts payable to Company, Company's Affiliates, or the Brand Development Fund, and should the default continue for a period of 10 days after written notice of default is given by Company to Franchisee;

e. Should Franchisee fail or refuse to submit any report or financial statement on or before the date due, and should the default continue for a period of 10 days after written notice of default is given by Company to Franchisee;

f. Should any person who is required by this Agreement to personally guaranty Franchisee's obligations to Company fail or refuse to execute and deliver Company's form of Personal Guaranty or deliver the financial statements required by this Agreement for a period of 10 days after written notice of default is given by Company to Franchisee;

g. Should Franchisee lose the right to occupy the Approved Location due to Franchisee's breach of the Lease based on a default that either cannot be cured or that Franchisee fails to cure within the allowed time period;

h. Should Franchisee commit an event of default under any other agreement by and between Franchisee and Company pertaining to the Franchised Shop and franchise granted by this Agreement that, by its terms, cannot be cured or that Franchisee fails to cure within the allowed time period;

i. Should Franchisee make any general arrangement or assignment for the benefit of creditors or become a debtor as that term is defined in 11 U.S.C. §1101 or any successor statute, unless, in the case where a petition is filed against Franchisee, Franchisee obtains an order dismissing the proceeding within 60 days after the petition is filed; or should a trustee or receiver be appointed to take possession of all, or substantially all, of the assets of the Franchised Shop, unless possession of the assets is restored to Franchisee within 60 days following the appointment; or should all, or substantially all, of the assets of the Franchised Shop or the franchise rights be subject to an order of attachment, execution or other judicial seizure, unless the order or seizure is discharged within 60 days following issuance;

j. Should Franchisee, or any duly authorized representative of Franchisee, make a material misrepresentation or omission in obtaining the franchise rights granted hereunder, or should Franchisee, or any officer, director, shareholder, member, manager, or general partner of Franchisee, be convicted of or plead no contest to a felony charge or engage in any conduct or practice that, in the exercise of Company's reasonable business judgment, reflects unfavorably upon or is detrimental or harmful to the good name, goodwill or reputation of Company or to the business, reputation or goodwill of the System;

k. Should Franchisee fail to comply with the conditions governing the transfer of rights under this Agreement in connection with an Event of Transfer;

l. If Franchisee is a Business Entity, should an order be made, or resolution passed for the winding-up or the liquidation of Franchisee or should Franchisee adopt or take any action for its dissolution or liquidation;

m. Should Franchisee have received from Company, during any consecutive 24-Calendar Month period, 3 or more notices of default (whether or not the notices relate to the same or to different defaults and whether or not each default is timely cured by Franchisee);

n. Should Franchisee make any unauthorized use, publication, duplication or disclosure of any Confidential Information or any portion of the Manual, or should any person required by this Agreement to execute a Confidentiality and Non-Competition Agreement with Company or Franchisee breach the Confidentiality and Non-Competition Agreement during the time period that the person is employed or engaged by Franchisee;

o. Should Franchisee Abandon the Franchised Shop;

p. Should Franchisee materially misuse or make an unauthorized use of any of the components of the System or commit any other act which does, or can reasonably be expected, in the exercise of Company's reasonable business judgment to impair the goodwill or reputation associated with any aspect of the System;

q. Should Franchisee intentionally underreport Gross Sales under the criteria established in this Agreement;

r. Should Franchisee fail to comply with any violation of federal, state, or local law within 10 days after being notified of non-compliance, unless the violation involves public health and safety, in which case the length of the cure period shall be reasonable under the circumstances, but need not exceed 10 days; or

s. Should Company make a reasonable determination in the exercise of Company's reasonable business judgment that Franchisee's continued operation of the Franchised Shop will result in imminent danger to public health and safety.

C. Termination by Company with Right to Cure.

1. Should Franchisee breach, or refuse to fulfill or perform, any obligation arising under this Agreement not identified in Subsection B above, or fail or refuse to adhere to any mandatory operating procedure, specification or standard prescribed by Company in the Manual or otherwise communicated to Franchisee, Company may terminate this Agreement, in its sole discretion and election, effective at the close of business 30 days after giving written notice of default to Franchisee that specifies the grounds of default, if Franchisee fails to cure the default cited in the notice by the end of the 30-day

cure period. Company may indicate its decision to terminate by written notice given to Franchisee any time before, or after, the end of the 30-day cure period including in the original notice of default.

2. If a default cannot reasonably be cured within 30 days, Franchisee may apply to Company for additional time to complete the cure. The length of the additional cure period, if any, allowed by Company shall be stated in writing signed by Company. The additional cure period, if any, shall, in Company's estimation, be sufficient in duration to enable a reasonable person acting diligently to complete the cure within the extended period. If Company grants an extension and if Franchisee does not complete the required cure within the extended cure period, termination of this Agreement shall be effective at the close of business on the last day of the extended cure period without further notice from Company.

3. Company may unilaterally extend the cure period if a longer cure period is required by Local Law.

**D. Effect of Termination or Expiration.**

1. If Company terminates this Agreement pursuant to Section IV.C, Company will refund 80% of the Initial Franchise Fee to Franchisee if Franchisee executes Company's form of General Release. Otherwise, Franchisee is not entitled to a refund of any portion of the Initial Franchise Fee in the event Company terminates this Agreement.

2. In any proceeding in which the validity of termination of this Agreement is at issue, Company will not be limited to the reasons set forth in the notice of default or termination given to Franchisee.

3. The termination or expiration of this Agreement shall result in the concurrent, and automatic, termination of any other agreements between Franchisee and Company or Company's Affiliates specifically pertaining to the license to operate the Franchised Shop. However, all other contracts then in effect between the parties concerning other Warabimochi Kamakura Shops owned by Franchisee shall remain in full force and effect unless Company takes steps independently to terminate the other contracts pursuant to their terms.

**XVI. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION**

A. Franchisee's Obligations. On and after the Effective Date of Termination or Expiration, Franchisee must comply with the following duties:

1. Franchisee shall immediately pay all Royalty Fees, Brand Development Fees and other amounts owed to Company or Company's Affiliate, including amounts for purchasing goods or services and late charges and interest on any late payments. Royalty Fees and Brand Development Fees shall continue to be due and payable (and late charges thereon assessed) after the Effective Date of Termination or Expiration until the date that Franchisee completes all post-termination obligations required by this Agreement. When termination is based upon Franchisee's default, Franchisee shall also pay to Company all damages, costs and expenses, and reimburse Company for its reasonable fees to retain attorneys, accountants or other experts that it incurs to enforce its rights under this Agreement in the event of a default and/or termination whether or not mediation or judicial action is commenced. Franchisee's payments shall be accompanied by all reports required by Company regarding business transactions and the results of operations through the Effective Date of Termination or Expiration or until the date that Franchisee completes all post-termination or expiration obligations required by this Agreement, whichever occurs later.

2. Franchisee shall permanently cease using, in any manner whatsoever, all rights and property incorporated within or associated with the System in a manner that suggests or indicates that Franchisee is, or was, an authorized Warabimochi Kamakura franchisee or continues to remain associated with the System. This obligation includes the duty at Franchisee's sole expense to remove all signs, trade dress and other physical objects that display the Licensed Marks or are or may reasonably be associated with the System in order to eliminate the likelihood that the general public will assume the former Approved Location remains associated with Company or the System. If Franchisee fails to de-identify the Approved Location promptly after the expiration or termination of this Agreement, Company shall have the right to enter the Approved Location to de-identify the Approved Location. Franchisee must reimburse Company for any expenses incurred by Company in de-identifying the Approved Location.

3. Company shall immediately cancel all password and authorized user credentials issued to Franchisee and its authorized users permitting access to a Network Portal if one then exists.

4. Company shall immediately cancel Franchisee's email address with the Warabimochi Kamakura Website domain, take down any subpage for the Franchised Shop that is then hosted on the Warabimochi Kamakura Website, and reclaim the phone number assigned to the Franchised Shop during the Term.

5. Franchisee shall cancel all Local Marketing and other promotional activities that associate Franchisee with the System including all social media activities. Franchisee shall cancel all fictitious or assumed name or equivalent registrations relating to its use of the Licensed Marks. Continued use by Franchisee of rights or other property incorporated within or associated with the System shall constitute willful trademark infringement and unfair competition by Franchisee.

6. Company shall notify Franchisee within 5 days after the Effective Date of Termination or Expiration if Company will either (i) demand an assignment of the telephone numbers and business directory listings for the Franchised Shop; or (ii) require Franchisee to disconnect the telephone number and take all steps necessary to remove all telephone and other business directory listings that display any of the Licensed Marks. If Company gives timely notice that it will require an assignment, Franchisee hereby grants Company a power of attorney to complete the necessary documentation on Franchisee's behalf that the telephone company or listing services require in order to accomplish an assignment of the phone number and business listings. If Company gives timely notice that it will require Franchisee to disconnect the phone number and remove all telephone and business directory listings, Franchisee shall promptly furnish Company with evidence satisfactory to Company demonstrating Franchisee's compliance with this obligation within 10 days after the Effective Date of Termination or Expiration. Franchisee shall not be entitled to any compensation for taking the actions required by this Section.

7. Company shall notify Franchisee within 10 days after the Effective Date of Termination or Expiration if Company will elect to accept an assignment of the Lease on the terms of the Addendum to Lease. Company's failure to timely notify Franchisee shall signify its decision not to accept an assignment of the Lease. If Company gives notice that it will accept an assignment of the Lease, Franchisee shall promptly vacate the Approved Location as required by the Addendum to Lease and leave the premises and all fixtures and equipment that are not capable of being removed without damage to the Approved Location, or that the Lease forbids to be removed, in good working order, condition and repair. If Company does not accept an assignment of the Lease, Franchisee shall, at its sole cost and expense, within 20 days after the Effective Date of Termination or Expiration, remove all signs and other physical and structural features that readily identify the site as a Warabimochi Kamakura Shop, in a manner acceptable to Company, so that the former Approved Location no longer suggests or indicates a connection with the System. Company's right to accept an assignment of the Lease is independent of Company's right to acquire the physical non-fixtures assets in the Approved Location on the terms of this Agreement.

8. Franchisee shall immediately cease using and, within 48 hours after the Effective Date of Termination or Expiration, return to Company all copies of any portion of the Manual in Franchisee's possession or provide evidence satisfactory to Company that all information in Franchisee's possession pertaining to Confidential Information has been permanently removed from Franchisee's Computer System and permanently erased or destroyed.

9. If on the Effective Date of Termination or Expiration the Computer System includes proprietary software, Franchisee agrees to immediately discontinue using the proprietary software and permanently remove the proprietary software from Franchisee's computers. Franchisee understands that Company will terminate Franchisee's access to the Network Portal on or after the Effective Date of Termination or Expiration if one exists at that time. Continued use by Franchisee of any proprietary software or Confidential Information after the Effective Date of Termination or Expiration will constitute violation of this Agreement and willful copyright or other intellectual property infringement. Franchisee may not retain any copy or record of any of these materials.

10. Company will take down or disable the Franchised Shop subpage on or after the Effective Date of Termination or Expiration if one exists at that time.

11. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

12. Company may apply the balance of the Security Deposit on hand to pay any outstanding amount due to Company in accordance with this Section and will refund the balance of the Security Deposit, if any, to Franchisee within 90 days after the expiration or termination of the Franchise Agreement if, by that time, Franchisee has executed and delivered the general release required by this Section. If Franchisee does not sign the general release, it will forfeit the balance of the Security Deposit, if any, on hand with Company.

13. Franchisee shall comply and cause its Covered Persons to comply with the covenants in this Agreement that expressly state that they apply following the Effective Date of Termination or Expiration.

14. Franchisee shall keep and maintain all business records pertaining to the business conducted at the Franchised Shop for 5 years after the Effective Date of Termination or Expiration. During this period, Franchisee shall permit Company to inspect such business records as frequently as Company deems necessary.

B. Personal Guaranty. Upon the Effective Date of Termination or Expiration, Company may enforce the Personal Guaranty executed by any Personal Guarantor in order to secure payment and performance of Franchisee's obligations under this Agreement including those in this Section that arise upon the termination or expiration of this Agreement and those that survive the termination or expiration of this Agreement.

C. Company's Right to Purchase Physical Assets of the Franchised Shop.

1. Company shall have the right, but not the obligation, to purchase all, or any, of Franchisee's non-fixture physical assets relating to the Franchised Shop that are not treated by the Lease as fixtures of the Approved Location and part of the realty, at Franchisee's original cost less depreciation, based upon Franchisee's depreciation schedule, less the remaining balance, if any, of any financing that Franchisee owes to third parties for which the physical asset is pledged as security.

2. Company may exercise this option by giving Franchisee written notice within 10 days after the Effective Date of Termination or Expiration, specifying in the notice the specific physical assets that it desires to purchase. Within 10 days following receipt of Company's written notice, Franchisee shall furnish Company with documentation substantiating the original cost of each item identified by Company and depreciation taken as reported by Franchisee in its federal and state income tax returns. Within 10 days following receipt of Franchisee's documentation, Company shall notify Franchisee of the particular assets it will purchase and calculate the purchase price for the items in accordance with this Section, and within 10 days after giving the notice, Company will pay Franchisee the purchase price, less permitted set-offs.

3. Franchisee shall deliver possession of the physical assets to Company upon Company's payment of the net purchase price free and clear of all liens and encumbrances not approved by Company in writing. If equipment is subject to an equipment lease and Company elects to accept an assignment, Franchisee shall cooperate with Company in arranging for an assignment of the equipment lease to Company, which shall assume the obligations under the equipment lease arising on or after the effective date of assignment. Company's failure to serve written notice of its election within 10 days after the Effective Date of Termination or Expiration shall signify its decision not to purchase any remaining non-fixture physical assets of Franchisee.

4. With respect to the non-fixture physical assets that Company purchases, Company shall have the absolute right to set off from the purchase price all sums then owed by Franchisee to Company, Company's Affiliates, or the Brand Development Fund, including damages, costs and expenses and reasonable attorneys' fees in enforcing the default and termination. The right to set off shall not limit Company's remedies under this Agreement or Applicable Law.

D. Survival of Obligations. All obligations of the parties that expressly, or by their nature, survive the Effective Date of Termination or Expiration shall continue in full force and effect subsequent to the Effective Date of Termination or Expiration until they are satisfied in full. Franchisee shall remain fully liable for any and all obligations of the Franchised Shop, whether incurred before, or after, the Effective Date of Termination or Expiration, including obligations arising under this Agreement, the Lease, and all obligations owed to Company's Affiliates and other third parties including payments to designated or approved suppliers, independent contractors and salaries to employees and taxes.

E. Third Party Rights; Available Remedies.

1. No person acting for the benefit of Franchisee's creditors or any receiver, trustee in bankruptcy, sheriff or any other officer of a court or other person in possession of Franchisee's assets or business shall have the right to assume Franchisee's obligations under this Agreement without Company's prior consent.

2. Company's right to terminate this Agreement shall not be its exclusive remedy in the event of Franchisee's default, and Company shall be entitled, in its sole discretion and election, alternatively or cumulatively, to affirm this Agreement in the event of Franchisee's default and obtain damages arising from the default, injunctive relief to compel Franchisee to perform its obligations under this Agreement or to prevent Franchisee from breaching this Agreement, and any other remedy available under Applicable Law.

## **XVII. ASSIGNMENT AND TRANSFER**

A. Assignment by Company. Franchisee acknowledges that Company maintains a staff to manage and operate the System and that staff members can change from time to time. Franchisee represents

that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Company in that capacity. Company is free to transfer and assign all of its rights under this Agreement to any person or Business Entity without prior notice to, or consent of, Franchisee if the assignee agrees in writing to assume Company's obligations under this Agreement. Upon the assignment and assumption, Company shall have no further obligation to Franchisee.

B. Delegation of Duties. In addition to Company's right to assign this Agreement, Company has the absolute right to delegate performance of any portion or all of its obligations under this Agreement to any third-party designee of its own choosing, whether the designee is Company's Affiliate, agent, or independent contractor. In the event of a delegation of duties, the third-party designee shall perform the delegated functions in compliance with this Agreement. When Company delegates its duties to a third party (in contrast to when Company transfers and assigns all of its rights under this Agreement to a third party that assumes Company's obligations), Company shall remain responsible for the performance of the third-party to whom Company's duties are delegated.

C. Assignment by Franchisee: In General. Franchisee understands and agrees that the franchise rights granted by this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is a Business Entity, that of its officers, directors, shareholders, LLC managers and members, trustees, partners and Personal Guarantors.

1. Without Company's prior written consent, Franchisee shall not, directly, or indirectly, attempt or complete an Event of Transfer either voluntarily or by operation of law except in accordance with this Agreement. Company agrees not to withhold its consent unreasonably if Franchisee satisfies the conditions applicable to an Event of Transfer or a Qualified Transfer. Company shall exercise reasonable business judgment in evaluating whether Franchisee has satisfied all applicable conditions. Any attempted or purported transfer that fails to comply with the requirements of this Agreement shall be null and void and constitute a material default of this Agreement.

2. Company's consent to an Event of Transfer is not a representation of the fairness of the terms of any contract between Franchisee and a transferee, a guarantee of the Franchised Shop's or transferee's prospects for success, or a waiver of any claims that Company or Company's Affiliates may have against Franchisee or any Personal Guarantor.

3. Franchisee shall pay Company a transfer fee equal to \$15,000 ("**Transfer Fee**") for each franchise that is included in the same Event of Transfer regardless of whether Franchisee seeks reimbursement of this amount from the proposed transferee. The Transfer Fee is due and payable in full when Franchisee requests written consent to the proposed Event of Transfer. If the parties have not executed an Area Development Agreement, Franchisee shall have discretion to decide whether to include in the same proposed Event of Transfer transaction all of Franchisee's right, title and interest in and to any other Franchise Agreement then in effect by and between Company and Franchisee or Franchisee's Affiliate pertaining to a Franchised Shop that is open and operating or under development by Franchisee. However, when Franchisee includes more than one Franchised Shop in the same Event of Transfer transaction, the proposed buyer will need to demonstrate that it has the financial ability to pay its obligations to Company under the Franchise Agreement that it will enter into with Company for each Franchised Shop included in the same Event of Transfer transaction in addition to paying Franchisee the purchase price that Franchisee and the proposed buyer negotiate for the sale and acquisition of the Franchised Shops. Franchisee must pay a separate Transfer Fee for each Franchise Agreement that is part of the same Event of Transfer transaction.

4. If the parties have executed an Area Development Agreement, Franchisee understands that, except with Company's prior written consent, Company will not approve an Event of Transfer of this Agreement unless Franchisee also proposes to transfer to the same proposed transferee as part of the same Event of Transfer transaction all of Franchisee's right, title and interest in and to (i) the Area Development Agreement if it is in full force and effect at the time; and (ii) all Franchise Agreements then in effect by and between Company and Franchisee or Franchisee's Affiliate pertaining to a Warabimochi Kamakura Shop opened by Franchisee pursuant to the Area Development Agreement. Franchisee must pay a separate Transfer Fee for the Area Development Agreement and each Franchise Agreement that is part of the same Event of Transfer transaction.

**D. Company's Right of First Refusal.**

1. Except with respect to Qualified Transfers, if Franchisee, or the person to whom an offer is directed (the "**Individual Transferor**"), receives a bona fide written offer ("**Third Party Offer**") to purchase or otherwise acquire an interest that will result in an Event of Transfer, Franchisee or the Individual Transferor, shall, within 5 days after receiving the Third Party Offer and before accepting it, apply to Company in writing for Company's consent to the proposed transfer. Additionally, the following conditions shall apply:

a. Franchisee, or the Individual Transferor, shall attach to its application for consent to complete the proposed Event of Transfer a complete copy of the Third Party Offer together with (i) information relating to the transferee's experience and qualifications; (ii) a copy of the transferee's current financial statement, and (iii) any other information material to the Third Party Offer, transferee, proposed Event of Transfer or that Company reasonably requests.

b. Company or its nominee shall have the right, exercisable by written notice ("**Notice of Exercise**") given to Franchisee or the Individual Transferor, within 30 days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Individual Transferor that it will purchase or acquire the rights, assets, or Ownership Interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Company may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of any commission or fee otherwise payable to any broker or agent in connection with the Third Party Offer and all amounts then due and owing from Franchisee to Company, Company's Affiliates or the Brand Development Fund. If Company gives timely Notice of Exercise, the assets that Company purchases shall be free and clear of liens. If any asset is pledged as security for financing that is then unpaid, Company may further deduct from the purchase price the remaining amount payable under the terms of financing.

c. The closing shall take place at Company's headquarters at a mutually agreed upon date and time, but not later than 90 days following Company's receipt of the Third-Party Offer, all supporting information, and the application for consent to transfer.

d. At the closing, Franchisee or the Individual Transferor shall deliver to Company the same documents, affidavits, warranties, indemnities, and instruments as would have been delivered by Franchisee or the Individual Transferor to the transferee pursuant to the Third-Party Offer. Additionally, Franchisee and the Individual Transferor shall deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

e. All costs, fees, document taxes and other expenses incurred in connection with the transfer shall be allocated between Franchisee and Company in accordance with the terms of the Third-Party Offer, and any costs not allocated shall be paid by Franchisee or the Individual Transferor.

E. Conditions of Assignment to Third Party.

1. If Company does not exercise its right of first refusal, Franchisee may not complete the Event of Transfer without Company's prior written consent. An Event of Transfer or attempt to complete an Event of Transfer that takes place in violation of this provision is a material breach of this Agreement. The requirements of this Section do not apply to a Qualified Transfer. As a condition to Company's consent to an Event of Transfer, the following conditions must be satisfied:

a. The proposed transferee must submit a completed franchise application to Company and meet Company's then-current qualifications for new Warabimochi Kamakura franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character, and reputation. Company's evaluation of the proposed transferee's financial condition shall take into account the amount the proposed transferee is obligated to pay to Franchisee to consummate the Event of Transfer.

b. As of the date Company's consent is requested and through the date of closing of the proposed transfer and assignment, Franchisee must not be in default under this Agreement, the Lease, or any other agreements with Company, and must be current with all monetary obligations owed to third parties, including Company's Affiliates.

c. The proposed transferee must be a Business Entity in good standing and agree to confine its business activities to operating the Franchised Shop after the closing of the Event of Transfer and not invest its assets or resources except to perform Franchisee's duties under this Agreement. The proposed transferee must execute all other documents and agreements required by Company to consummate the transfer of this Agreement.

d. The proposed transferee shall execute Company's then-current Franchise Agreement that Company is offering to new Warabimochi Kamakura franchisee in the United States for the remainder of the Term of this Agreement and any unexercised Renewal Term, or, at Company's sole option, may allow the proposed transferee to execute appropriate documentation agreeing to assume all of Franchisee's obligations under this Agreement arising on or after the closing date of the Event of Transfer.

e. Franchisee shall pay Company a separate Transfer Fee for any Area Development Agreement and each Franchise Agreement that is part of the same Event of Transfer transaction, up to a maximum Transfer Fee of \$45,000. Once Franchisee pays the Transfer Fee, it is fully-earned and non-refundable except if Company determines that the proposed transferee does not meet Company's then-current qualifications for new Warabimochi Kamakura franchisees and refuses to consent to the proposed Event of Transfer, in which case Company may retain up to \$2,500 of the Transfer Fee paid.

f. Franchisee must simultaneously transfer its rights under the Lease and all other contracts whose continuation is necessary for operation of the Franchised Shop to the same proposed transferee and satisfy any separate conditions to obtain any third-party consents required to accomplish the transfers, including the consent of the landlord of the Approved Location.

g. Franchisee must restore the Security Deposit to the full amount payable upon execution of this Agreement if the balance on hand with Company is less and either assign all of its right, title and interest in and to the Security Deposit to the proposed transferee as part of the Event of

Transfer transaction, or the proposed transferee must pay Company an amount equal to the then-current Security Deposit required by Company's then-current Franchise Agreement. If the proposed transferee posts a new Security Deposit, Company will refund Franchisee's Security Deposit to Franchisee within 30 days after the closing date and may use the Security Deposit on hand to pay any outstanding amount that Franchisee then owes to Company.

h. Franchisee must execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

i. The proposed transferee must execute all other documents and agreements required by Company to consummate the transfer of this Agreement. If the proposed transferee is a Business Entity, each person who at the time of the transfer, or later, owns or acquires, either legally or beneficially, 10% or more of the Ownership Interests of the proposed transferee must execute Company's then-current form of Personal Guaranty, unless the then-current Franchise Agreement sets a lower percentage ownership threshold, in which case the percentage in the then-current Franchise Agreement shall control.

j. Franchisee's right to receive the sales proceeds from the proposed transferee shall be subordinate to the proposed transferee's and Franchisee's duties owed to Company and Company's Affiliates under, or pursuant to, this Agreement or any other agreement as of the effective date of the Event of Transfer. All contracts by and between Franchisee and the proposed transferee shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations that the proposed transferee owes to Company and Company's Affiliates are fully satisfied.

k. The proposed transferee must pay Company its then-current Training Fee for the Initial Training Program and the proposed transferee's Primary Owner, General Manager and Store Manager must each satisfy Company's then-current minimum training requirements. Until the proposed transferee's Primary Owner, General Manager and Store Manager satisfy Company's then-current minimum training requirements, Franchisee shall remain responsible for day-to-day management of the Franchised Shop even if this covers a period after the closing date of the Event of Transfer transaction.

l. Company may condition its consent on Franchisee completing before the closing date specific improvements and repairs to the Approved Location in order to conform the Approved Location to Company's then-current appearance and design standards and equipment specifications.

m. Neither Company's exercise of its right of first refusal, its consent to an Event of Transfer, nor Franchisee's consummation of a transfer shall operate to release Franchisee of those obligations that expressly, or by their nature, survive the Effective Date of Termination or Expiration, including the provisions regarding non-disclosure of Confidential Information and the covenants pertaining to a Competitive Business.

2. Franchisee may only complete the Event of Transfer to the proposed transferee on the terms identified in the Third Party Offer or as otherwise stated in Franchisee's application for consent. If there is any material change in the terms of the Third Party Offer after Franchisee applies to Company for its consent, Company has a right of first refusal to accept the new terms subject to the conditions stated in this Section.

3. If Company consents to the transfer to a third party, the transfer must close within 60 days from the date the Third-Party Offer is first submitted to Company unless Franchisee requests in

writing, and Company agrees to grant, an extension of time to close the transfer, which extension Company agrees not to unreasonably withhold. If Company refuses to grant the extension of time, Franchisee must again offer Company the opportunity to exercise its right of first refusal subject to the conditions stated in this Section.

F. Business Entity Franchisee.

1. On or before the Effective Date, Franchisee shall furnish to Company, upon execution of this Agreement or at such other time as transfer to the Business Entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreements. Franchisee shall promptly provide Company with a copy of any amendments to, or changes in, the documents or other information during the Term.

2. **Schedule 6** is a true and correct list of Franchisee's owners and their Ownership Interests as of the Effective Date. During the Term, Franchisee will notify Company of all changes to **Schedule 6** promptly after they occur (whether the change involves adding new owners, deleting owners, updating the percentage Ownership Interest of Franchisee's owners, or making other changes to **Schedule 6**).

3. Franchisee shall maintain stop transfer instructions against the transfer on its records of any Ownership Interests. Each certificate representing an Ownership Interest in Franchisee shall bear a legend as follows: "The ownership, transfer, sale, gift, or other disposition of the interest represented by this certificate are restricted by and subject to the terms of a Franchise Agreement with \_\_\_\_\_."

4. Franchisee's Primary Owner shall deliver a certificate to Company on or before January 15th of each Calendar Year during the Term that lists all owners of record and all beneficial owners of any interest in the Ownership Interests of Franchisee.

G. Public or Private Offering.

1. Any public or private offering of any of the Ownership Interests of Franchisee that requires registration or the preparation of a private placement memorandum under Applicable Law, whether or not the public or private offering involves sufficient equity to result in a Change of Control, shall be treated as an Event of Transfer and the following additional terms and conditions shall apply: (i) Franchisee must request Company's consent to the Event of Transfer in writing no less than 45 days before the proposed issuance or effective date of the public or private offering; (ii) instead of the Transfer Fee applicable to other Events of Transfer, Franchisee shall pay a non-refundable Transfer Fee of \$20,000 when Franchisee requests consent to the proposed Event of Transfer, which shall be fully earned when paid regardless of whether the Event of Transfer transaction closes; (iii) before submitting any documents with any public agency pertaining to the proposed public or private offering, Franchisee shall submit them to Company for its review first together with Franchisee's request for consent to the proposed Event of Transfer; (iv) in addition to the Transfer Fee of \$20,000, Franchisee shall reimburse Company for Company's reasonable expenses to review the documents proposed to be filed or private memorandum including Company's reasonable attorney's fees and travel expenses directly related to the public or private offering; and (v) Company may grant or withhold in its consent to the proposed Event of Transfer involving a public or private offering in its sole discretion for any reason or no reason without having to provide an explanation for its decision.

2. Franchisee is solely responsible for ensuring that the Event of Transfer complies with Applicable Law. Company's review of any documents prepared by or for Franchisee regarding the

proposed Event of Transfer shall be limited solely to whether the documents fairly and accurately describe the relationship between Franchisee and Company. If Company issues its written consent, Company's consent shall not suggest or imply that Company finds or believes that the proposed Event of Transfer complies with Applicable Law or is fair, just, or equitable. Franchisee may not suggest or imply that Company is participating in an underwriting, issuance or offering of the equity interests that are the subject of the public or private offering or endorses the public or private offering in any way. In its publicly filed documents and private memorandum and in all other dealings and solicitations pertaining to the public or private offering, Franchisee may only make refer to and use the Licensed Marks and other intellectual property rights in the exact manner to which Company consents in writing.

H. Qualified Transfers. Before completing a Qualified Transfer, Franchisee must do all of the following: (i) provide Company with written notice of its intent to complete a Qualified Transfer; (ii) when the Qualified Transfer is to a newly-formed Business Entity, deliver the documents that this Agreement requires be delivered by a Franchisee Business Entity; (iii) pay Company a Qualified Transfer fee of \$2,500 per Qualified Transfer; and (iv) execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents. The Qualified Transfer shall not be effective unless and until Franchisee satisfies conditions (i)-(iv). Company shall not have a right of first refusal with respect to a Qualified Transfer, nor shall Company's prior written consent to a Qualified Transfer be necessary if Franchisee satisfies the conditions stated in this Section.

I. Death or Incapacity.

1. Subject to the provisions of this Section, if an Event of Transfer occurs due to the death or Incapacity of a Primary Owner who owns enough Ownership Interests of the Business Entity to result in a Change of Control or of a Store Manager if there is no other individual in Franchisee's management who meets the qualifications of a Store Manager, the spouse, heirs, executor or personal representative of the deceased or incapacitated person, or the Franchisee's remaining shareholders, members, partners or owners, as appropriate to the circumstance (collectively referred to as the "**Successor**") shall have 180 days from the date of death to (i) qualify themselves as a Trained Manager with the skills to assume the job of Store Manager; or (ii) complete the sale or assignment of the interest to a qualified, approved third party. In either (i) or (ii), the Successor must satisfy all of the conditions and obtains Company's consent to complete the Event of Transfer. At the end of the 180-day period, if the Successor has not obtained Company's consent to complete the Event of Transfer, Company may, at its election, terminate this Agreement.

2. Immediately following the date of death or Incapacity, if the Successor is unable to demonstrate to Company's reasonable satisfaction that the Successor has the financial ability and business skills to operate the Franchised Shop in accordance with the requirements of this Agreement during the interim period until the Successor is able to obtain Company's consent to complete the Event of Transfer, Company shall have the absolute right to occupy the Approved Location and assume day-to-day management of the Franchised Shop for the account of Franchisee. In addition to receiving the fees due to Company under this Agreement, Franchisee agrees that in exchange for Company's management services, Company shall be reimbursed for (i) all of its direct costs and expenses in rendering management services; and (ii) Company's reasonable travel expenses, including expenses for air and ground transportation, lodging, meals, and miscellaneous travel-related personal charges. For the sake of clarity, the Management Fee is in addition to, not in lieu of, the Royalty Fees, Brand Development Fees, and other fees and payments due and payable by Franchisee to Company under this Agreement. Company may pay itself the Management Fee weekly on the same day that Royalty Fees and Brand Development Fees are due and payable during the management period out of the cash flow of the Franchised Shop. This Agreement shall otherwise continue in full force and effect during the period of Company's day-to-day management. The

Successor's failure or refusal to cooperate with Company's right to turn management of the Franchised Shop over to Company during the interim period if required by this Section shall constitute a material breach of this Agreement.

3. The parties recognize that Company's right to manage the Franchised Shop is primarily intended to facilitate an orderly transition of ownership with minimal disruption to the Franchised Shop's continuous operation. Company shall manage the Franchised Shop only until the Successor obtains Company's consent to the Event of Transfer, but in no event shall Company be required to manage the Franchised Shop for longer than 90 days. By mutual agreement of Company and the Successor, the period of Company's management may be extended for longer than 90 days, but in no event shall it extend beyond one year from the date of death or Incapacity. If the Successor cannot obtain Company's consent to a proposed transferee by the end of one year, Company may terminate this Agreement.

4. During the time that Company manages the Franchised Shop, Company shall periodically discuss the status of the Franchised Shop's operations and financial results with the Successor and provide suitable current information about the Franchised Shop's performance as the Successor may reasonably require to account for the financial condition of the Franchised Shop.

#### **XVIII. RELATIONSHIP OF PARTIES; INDEMNIFICATION; SECURITY INTEREST**

A. Independent Contractor. This Agreement does not create a fiduciary relationship between the parties, nor does it make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose. With respect to all matters, the Franchisee relationship to Company is as an independent contractor. Franchisee understands and agrees that it is the independent owner of the Franchised Shop and in sole control of all aspects of its operation, and shall conduct its business using its own judgment and sole discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself in all advertising and all dealings with customers, suppliers and other third parties as the owner of the Franchised Shop operating under a license from Company.

B. Indemnification by Franchisee.

1. Franchisee shall indemnify and hold Company, Company's Affiliates and their respective officers, directors, shareholders, employees, agents, successors and assigns, harmless from and against any and all costs, expenses, losses, liabilities, damages, causes of action, claims and demands whatsoever, arising from or relating to the Franchised Shop or Franchisee's occupancy of the Approved Location, whether or not arising from bodily injury, personal injury or property damage, infringement (other than Third Party Claims within the scope of Company's agreement to indemnify Franchisee as set forth in his Agreement), or any other violation of the rights of others, or in any other way, subject to the provisions of this Agreement.

2. Company shall have the right to retain its own counsel to defend any third-party claim asserted against it that is covered by this indemnification agreement.

3. Franchisee's indemnification and defense obligations shall survive the Effective Date of Termination or Expiration or an Event of Transfer regardless of the cause or reason that this Agreement ends.

4. Franchisee's indemnification obligations shall extend to (i) all claims for actual, consequential and punitive damages; (ii) claims for lost profits; (iii) costs of investigation; (iv) costs and expenses incurred in defending any claim within the scope of Franchisee's indemnification including attorneys and other professional fees, court costs, and travel and living expenses necessitated by the need

or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by Company's attorneys, experts and advisors); (v) costs and expenses for any recalls, refunds, compensation or public notices; (vi) claims based on alleged "vicarious," "principal/agent," "joint employer," or other legal theories as a result of Company's status as the owner of the Licensed Marks; and (vii) costs and expenses that Company or any of the indemnified parties incur as a result of any litigation or insolvency proceedings involving Franchisee (whether or not Franchisee is a party in the proceeding).

5. The scope of Franchisee's indemnification obligations shall apply regardless of whether a claim brought against Company, Company's Affiliates or any of the indemnified individuals is reduced to final judgment or results in settlement. The indemnified parties shall have the right to retain their own counsel to defend any third-party claim that is covered by this indemnification agreement. The scope of Franchisee's indemnification obligations shall not be limited by decisions that an indemnified party makes in connection with their defense.

6. If a final judgment results in a finding that an indemnified party's liability is due to the indemnified party's gross negligence, willful misconduct or criminal acts, any costs or expenses paid or incurred by Franchisee pursuant to Franchisee's indemnification obligation shall promptly be reimbursed in full by the indemnified party to Franchisee except to the extent that the final judgment finds Franchisee jointly liable, in which event Franchisee's indemnification obligation will extend to any finding of Franchisee's comparative or contributory negligence.

7. Franchisee shall give Company written notice of any claim, matter, inquiry, or investigation that could be the basis for a claim for indemnification promptly after Franchisee has actual knowledge or is deemed to have constructive knowledge of the claim, matter, inquiry, or investigation. Franchisee shall fully cooperate with Company in connection with Company's handling of the claim, matter, inquiry, or investigation. Company shall have no duty to seek recovery from third parties to mitigate its losses or reduce Franchisee's liability under its indemnification obligation.

C. Security Interest. To secure Franchisee's performance under this Agreement, Franchisee hereby grants to Company a security interest in and to all of Franchisee's tangible and intangible property used to operate the Franchised Shop. Company shall record appropriate financing statements to protect and perfect Company's rights as a secured party under Applicable Law. Except with Company's prior written consent, which Company shall not unreasonably withhold, it shall be a breach of this Agreement for Franchisee to grant another person a security interest in Franchisee's tangible or intangible assets of the Franchised Shop even if subordinate to Company's security interest. Company agrees to subordinate Company's own security interest if requested by a lender providing financing to Franchisee on commercially reasonable terms in connection with the purchase of the franchise.

## **XIX. PERSONAL GUARANTY**

A. Scope. If Franchisee is a Business Entity, each person who is or becomes a Personal Guarantor shall furnish any financial information reasonably required by Company and execute Company's Personal Guaranty in the form attached as **Schedule 2**. The Personal Guaranty requires the Personal Guarantor to agree, jointly and severally, to personally guaranty the obligations owed to Company by the Business Entity that is identified as the "**Franchisee**" under this Agreement.

B. Default. An event of default under this Agreement shall occur if, within 10 days after Company's written request, a Personal Guarantor fails or refuses to deliver to Company: (i) a duly executed Personal Guaranty, and (ii) true, correct, and current financial information as Company may from time to time request.

## **XX. DISPUTE RESOLUTION**

A. Agreement to Mediate Disputes. Except as otherwise provided in subparagraph B of this Section, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

1. The mediation shall be conducted pursuant to the rules of JAMS (the “**Mediation Service**”). Either party may initiate the mediation (“**Initiating Party**”) by notifying the Mediation Service in writing, with a copy to the other party (“**Responding Party**”). The notice shall describe with specificity the nature of the dispute and the Initiating Party’s claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service’s then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.

2. The mediator must be either a practicing attorney with experience in business format franchising or a retired judge, with no past or present affiliation or conflict with any party to the mediation. The parties agree that the mediator and the Mediation Service’s employees shall be disqualified as a witness, expert, consultant, or attorney in any pending or subsequent proceeding relating to the dispute that is the subject of the mediation.

3. The fees and expenses of the Mediation Service, including the mediator’s fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorney’s fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.

4. The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Franchisee is the Initiating Party, the mediation shall be conducted at Company’s headquarters at that time, unless otherwise agreed by the parties or required by Applicable Law.

5. The parties shall participate in good faith in the entire mediation, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party’s behalf and on behalf of all principals of that party who are required by the terms of the parties’ settlement to be personally bound by it. The parties recognize and agree, however, that the mediator’s recommendations and decision shall not be binding on the parties.

6. The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection 8, and informs the parties in writing, that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

7. The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees, or representatives, and by the mediator and Mediation Service’s employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence

otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

8. If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs; (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

**B. Exceptions to Duty to Mediate Disputes.**

1. The obligation to mediate shall not apply to any disputes, controversies or claims between the parties (whether or not they involve any other person or Business Entity) where (i) where the monetary relief sought is under \$10,000, (ii) in which Company seeks to enforce its rights under any Addendum to Lease, or (iii) either party seeks Provisional Remedies to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded Provisional Remedies shall not be required to post bond.

2. Additionally, notwithstanding a party's duty to mediate disputes under this Agreement, a party may file an application before any court of competent jurisdiction seeking Provisional Remedies whether or not the mediation has already commenced. An application for Provisional Remedies shall neither waive nor excuse a party's duty to mediate under this Agreement. However, once a party files an application for Provisional Remedies, the time period for mediation set forth in this Agreement shall be tolled pending the court's ruling on the application for Provisional Remedies. The party that is awarded Provisional Remedies shall not be required to post bond or comparable security.

**C. Judicial Relief.**

1. The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this Agreement expressly excludes from mediation, shall be brought exclusively in the federal or state courts in Los Angeles, California. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this Section and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

2. To the fullest extent that it may effectively do so under Applicable Law, Franchisee waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this Section and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, shareholders, LLC managers and members, employees and agents or property arising out of or relating to this Agreement except in the courts identified in this Section.

**D. Expedited Discovery.** In connection with any application for Provisional Remedies, each party may conduct discovery on an expedited basis.

E. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE WARABIMOCCHI KAMAKURA SYSTEM, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, OR REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

F. Choice of Law. Except as otherwise provided in this Agreement with respect to the possible application of Local Law, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event the federal law shall govern.

G. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than one year from the date of the act, event, occurrence or transaction that constitutes or gives rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation that is initiated before the last day of the limitations period with the tolling beginning on the date that the Responding Party receives the Initiating Party's demand for mediation and continuing until the date that the mediation is either concluded, or suspended due to a party's failure or refusal to participate in the mediation in violation of this Agreement.

H. Punitive or Exemplary Damages. Company and Franchisee, on behalf of themselves and their respective Affiliates, directors, officers, shareholders, members, managers, guarantors, employees, and agents, as applicable, each hereby waive, to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

I. Attorneys' Fees. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and court costs in addition to any other relief awarded by the court. As used in this Section, the "prevailing party" is the party who recovers greater relief in the action.

J. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate, or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a decision of an arbitrator or judge in any proceeding or action in which either Company or Franchisee, but not both of them, is a party shall not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

K. Waiver of Class Action Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted on an individual, not on a class-wide, basis.

## **XXI. REPRESENTATIONS OF FRANCHISEE.**

Franchisee understands and agrees and represents to Company, to induce Company to enter into this Agreement, that:

A. Acceptance of Conditions. Franchisee has read this Agreement and Company's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Company's standards of service and quality and to protect and preserve Company's rights in the System and the goodwill of the Licensed Marks.

B. Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the System may evolve and change over time and that Company may impose change to the System that Company believes, in its sole discretion, will benefit Warabimochi Kamakura Shops generally and strengthen consumer awareness of, and confidence in, the Licensed Marks. Franchisee is aware that Company cannot predict the nature of future changes to the System or the amount of Franchisee's future investment to adopt future changes.

C. No Representations; Status of Franchisee.

1. By executing this Agreement, Franchisee represents and warrants that no person acting on Company's behalf has made any representations or promises to Franchisee that are not contained in this Agreement, including representations or promises about actual or potential sales, earnings, gross profits, or net profits that Franchisee can expect to earn. No representations have been made by Company, Company's Affiliates or their respective officers, directors, shareholders, employees, or agents that are contrary to statements made in Company's Franchise Disclosure Document previously received by Franchisee or to the terms contained in this Agreement.

2. The person executing this Agreement as, or on behalf of, Franchisee, and each Personal Guarantor is a United States citizen or a lawful resident alien of the United States.

3. Franchisee understands that it is a material obligation of this Agreement that it remain duly organized as a Business Entity and in good standing for as long as this Agreement is in effect, and it owns the franchise license.

4. All financial and other information provided to Company in connection with Franchisee's application is true and correct and no material information or fact has been omitted that is necessary in order to make the information disclosed not misleading.

D. Success of Franchised Shop. Franchisee understands and agrees that owning and operating the Franchised Shop involves business risks and that the success of the Franchised Shop will depend primarily on Franchisee's investment of time, capital and personnel, the business abilities and experience of Franchisee's management, Franchisee's Local Marketing efforts, the desirability of the Approved Location in Franchisee's local market, local demographic factors, and other factors beyond Company's or Franchisee's control including climate and weather conditions, local competition, consumer preferences, inflation, labor costs, prevailing economic conditions and similar types of market conditions, which may change over time and are difficult to anticipate. Franchisee is not entering into this Agreement based upon

any express or implied guaranty or assurance that the Franchised Shop at the Approved Location will be successful or profitable.

E. Anti-Terrorism Representations. Franchisee represents that none of Franchisee's assets are currently subject to being blocked under, and Franchisee is not otherwise in violation of Applicable Law including Anti-Terrorism Laws. Additionally, Franchisee agrees to comply with and assist Company to the fullest extent possible in Company's efforts to comply with Anti-Terrorism Laws. Any violation of, or "blocking" of assets under, any Anti-Terrorism Laws will constitute a breach of this Agreement and grounds for immediate termination without an opportunity to cure.

## **XXII. MISCELLANEOUS**

### A. Notices.

1. All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given if property addressed on the earlier of (i) the date when delivered by hand; (ii) the date when delivered by fax or e-mail if confirmation of transmission is received or can be established by the sender; (iii) one business day after delivery to a reputable national overnight delivery service; or (iv) 5 days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. A "**business day**" means weekdays only, excluding Saturdays, Sundays, and holidays. Notices shall be directed to the address shown in **Schedule 3** for the party and its representative. Either party may change its address for receiving notices by giving appropriate written notice to the other. All communications required or permitted to be given by a party in writing may be given electronically to the party's designated e-mail address in **Schedule 3** or as subsequently changed by appropriate written notice.

2. All payments and reports required to be delivered to Company shall be directed to Company at the above address or to an electronic address or account otherwise designated by Company. Notwithstanding the parties' agreement regarding when notices shall be deemed to be given, any required payment or report not actually received by Company on the date it is due shall be deemed delinquent.

B. Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

C. Waiver. Any waiver granted by Company to Franchisee excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective upon delivery of such writing by Company to Franchisee or upon such other effective date as specified in the writing, and only to the extent specifically allowed in such writing. No waiver granted by Company, and no action taken by Company, with respect to any third party shall limit Company's right to take action of any kind, or not to take action, with respect to Franchisee. Any waiver granted by Company to Franchisee shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay on the part of Company in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Company of any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy. Company's acceptance of any payments made by Franchisee after a breach of this Agreement shall not be, nor be construed as, a waiver by Company of any breach by Franchisee of any term, covenant, or condition of this Agreement.

D. Section Headings; Language. The Section headings used in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The language used in this Agreement shall in all

cases be construed simply according to its fair meaning and not strictly for or against Company or Franchisee. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies upon any person or Business Entity not a party hereto.

E. Binding on Successors. The covenants, agreements, terms, and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto.

F. Validity; Conformity with Applicable Law; Interpretation.

1. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under Applicable Law, but if any provision of this Agreement shall be invalid or prohibited under Applicable 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 Agreement. If the provisions of this Agreement provide for periods of notice less than those required by Applicable Law, or provide for termination, cancellation, non-renewal or the like other than in accordance with Applicable Law, such provisions shall be deemed to be automatically amended to conform them to the provisions of Applicable Law.

2. If any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited, or length of time, but could be made enforceable by reducing any or all thereof, the provision may be modified by a mediator or court so that it may be enforced to the fullest extent permissible under the choice of law adopted by this Agreement or other Applicable Law.

3. In this Agreement the words “includes” and “including” and words of similar effect shall be read to mean “without limitation” and will not be deemed to limit the general effect of the words that precede them.

G. Amendments. No amendment, change, modification, or variance to or from the terms and conditions set forth in this Agreement shall be binding on any party unless it is set forth in writing and duly executed by Company and Franchisee.

H. Withholding of Consent; Company’s Business Judgment.

1. Except where this Agreement expressly requires Company to exercise its reasonable business judgment in deciding to grant or deny approval of any action or request by Franchisee, Company has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee in Company’s sole discretion. Further, whenever the prior consent or approval of Company is required by this Agreement, Company’s consent or approval must be evidenced by a writing signed by Company’s duly authorized representative unless this Agreement expressly states otherwise.

2. The parties recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Company to take (or refrain from taking) certain actions in its sole discretion and other actions in the exercise of its reasonable business judgment. Where this Agreement expressly requires that Company make a decision based upon Company’s reasonable business judgment, Company is required to evaluate the overall best interests of all Warabimochi Kamakura Shops and Company’s own business interests. If Company makes a decision based upon its reasonable business judgment, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Company. The fact that a mediator or judge might reach a different decision than the one made by Company is not a basis for finding that Company made its decision without the exercise of reasonable

business judgment. Company's duty to exercise reasonable business judgment in making certain decision does not restrict or limit Company's right under this Agreement to make other decisions based entirely on Company's sole discretion as permitted by this Agreement. Company's sole discretion means that Company may consider any set of facts or circumstances that it deems relevant in rendering a decision.

I. Entire Agreement. This Agreement, including all exhibits attached hereto, and all agreements or documents which by the provisions of this Agreement are expressly incorporated herein or made a part hereof, sets forth the entire agreement between the parties, fully superseding any and all prior agreements or understandings between them pertaining to the subject matter hereof. However, nothing in this Agreement or any related agreement is intended to disclaim the Company's representations made in the Franchise Disclosure Document.

J. Force Majeure. In addition to other provisions in this Agreement addressing Force Majeure, neither party is responsible for any failure to perform its obligations under this Agreement if its performance is prevented or delayed due to an event of Force Majeure. Upon completion of the event of Force Majeure, the party whose performance was affected must as soon as reasonably practicable recommence the performance of its obligations under this Agreement. Furthermore, the party whose performance is prevented or delayed shall use its reasonable efforts to mitigate the effect of the event of Force Majeure on its performance. An event of Force Majeure does not relieve a party or a Personal Guarantor from liability for an obligation that arose before the onset of the event of Force Majeure, nor does an event of Force Majeure affect the obligation to pay money in a timely manner for an obligation that arose before the onset of the event of Force Majeure.

K. Covenant and Condition. Each provision of this Agreement performable by Franchisee shall be construed to be both a covenant and a condition.

L. Consent of Spouse. If Franchisee enters into this Agreement in their individual capacity, Franchisee's spouse shall execute a Consent of Spouse in the form of **Schedule 4**. If Franchisee is a Business Entity, the spouse of each Personal Guarantor shall execute a Consent of Spouse in the form of **Schedule 4**.

M. Submission of Agreement. The submission of this Agreement to Franchisee does not constitute an offer to Franchisee, and this Agreement shall become effective only upon execution by Company and Franchisee.

N. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions, and conditions of this Agreement.

O. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.

P. Electronic Signatures. The parties accept the use of an electronic signature in lieu of a manual signature and agree that an electronic signature will be binding on a party to the same extent as if the party signed this Agreement manually.

Q. Confidentiality and Public Announcements. In addition to provisions regarding Confidential Information, the parties agree that no public announcement or any other disclosure regarding the existence or terms of this Agreement, the names or any other identifying information regarding the parties or any individual member or owner of a party, or the nature of the parties' negotiations shall be

disclosed in any way or made public unless the other party gives its prior written consent or if disclosure is required by Applicable Law.

R. English Language. The parties acknowledge and agree that English is the official language of the franchise relationship. In addition to this Agreement, the Manual, contracts, sample advertising and marketing materials, and notices and other communications between the parties including reports submitted by Franchisee will be in English only. If Franchisee chooses to translate into another language any materials furnished by Company for Franchisee's own use, Franchisee is solely responsible for the cost and accuracy of the translations and, upon request, shall provide Company with a copy of all translated materials without charge.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

Company:

Franchisee:

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

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

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

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

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

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

**Schedule 1**

**APPROVED LOCATION AND TERRITORY**

The street address of the Approved Location that is the subject of this Agreement is as follows:

---

Unless the Approved Location is in a Captive Venue, the Protected Area assigned to the Approved Location consists of the geographic area which is described below and/or shown on the map attached to this **Schedule 1**:

---

Dated: \_\_\_\_\_

Company:

Franchisee:

---

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

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

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

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

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

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

## Schedule 2

### PERSONAL GUARANTY

THIS PERSONAL GUARANTY (“**Guaranty**”) is made as of \_\_\_\_\_, by \_\_\_\_\_, an individual (“**Guarantor**”) in favor of \_\_\_\_\_, a [JURISDICTION] [TYPE OF ENTITY] (“**Company**”), subject to the following recitals:

#### RECITALS

A. \_\_\_\_\_ (“**Debtor**”) has applied to acquire the right and license to open and operate a Warabimochi Kamakura Shop on the terms of a Franchise Agreement (“**Franchise Agreement**”) in the form attached to the Franchise Disclosure Document (“**FDD**”) that Company has delivered to Debtor before Debtor’s execution of the Franchise Agreement.

B. Debtor is a Business Entity other than a partnership duly organized under the laws of the State of \_\_\_\_\_.

C. Company requires that each person owning 10% or more of the Ownership Interests of the Business Entity execute a copy of this Guaranty, agreeing to personally guarantee Debtor’s obligations under the Franchise Agreement for the benefit of Company.

D. Guarantor represents that he/she owns 10% or more of the Ownership Interests of Debtor.

NOW, THEREFORE, in order to induce Company to enter into the Franchise Agreement with Debtor, Guarantor covenants and agrees with Company as follows:

Section 1. Definitions. Guarantor agrees that all capitalized terms in this Guaranty that are not defined in this Guaranty have the same meaning given to them in the Franchise Agreement and agrees that those definitions are incorporated into this Guaranty by this reference. Guarantor represents that it is, or has had the opportunity to become, familiar with the definitions. Guarantor furthermore incorporates the Recitals as part of the substantive terms of this Guaranty.

#### Section 2. Personal Guaranty.

a. Guarantor hereby unconditionally and irrevocably guarantees to Company and Company’s Affiliates the full and punctual payment and performance of all present and future amounts, liabilities, duties, and obligations of Debtor to Company, Company’s Affiliates, or to their respective successors under the Franchise Agreement (collectively, the “**Indebtedness**”).

b. Debtor’s payments of any Indebtedness will not discharge or diminish Guarantor’s obligations and liability under this Guaranty for any remaining or future Indebtedness.

c. Guarantor’s obligations under this Guaranty are primary obligations of Guarantor.

d. If more than one person executes a personal guaranty in favor of Company that covers the same, or any portion of, the Indebtedness, Guarantor’s obligations under this Guaranty are joint and several with the other personal guarantors.

e. If Debtor fails to pay or perform any of the Indebtedness, Company may proceed first and directly against Guarantor without first (i) proceeding against Debtor or any other personal

guarantor; (ii) exhausting any other remedies that Company may have under Applicable Law; or (iii) taking possession of any collateral pledged as security for this Guaranty. Guarantor's obligations under this Guaranty are not subject to any counterclaim, recoupment, set-off, reduction, or defenses based on claims that Guarantor may have against Debtor.

f. If Debtor fails to pay the Indebtedness when due for any reason, Company may give written notice demanding payment and Guarantor shall have five days after receiving Company's written demand to pay the entire amount of the Indebtedness then due to Company in immediately available funds to Company at its address specified in the Franchise Agreement for giving notices to Company. Guarantor will breach this Guaranty if the amount demanded by Company is not received within five days following Guarantor's receipt of Company's written demand. Company's written demand to Guarantor shall not modify the terms of the Franchise Agreement.

g. This Guaranty shall not be affected, impaired, modified, waived, or released due to (i) the invalidity or unenforceability of any provision of the Franchise Agreement; (ii) the bankruptcy, reorganization, dissolution, liquidation, or similar proceedings affecting Debtor; or (iii) an Event of Transfer by Debtor or other sale or disposition of Debtor's assets. Additionally, none of the following actions will affect, impair, modify, waive, reduce or release Company's rights or Guarantor's obligations or liabilities under this Guaranty: if Company (i) renews, extends or otherwise changes the time or terms for Debtor's payment of the Indebtedness; (ii) extends or changes the time or terms for performance by Debtor; (iii) amends, compromises, releases, terminates, waives, surrenders, or otherwise modifies the Franchise Agreement; (iv) releases, terminates, exchanges, surrenders, sells or assigns any collateral that Company has accepted to secure Debtor's payment or performance of the Indebtedness; (v) accepts additional property or other security as collateral for any or all of the Indebtedness; (vi) fails or delays to enforce, assert or exercise any right, power, privilege or remedy conferred upon Company under the Franchise Agreement or Applicable Law; (vii) consents to Debtor taking certain action or does not object to Debtor taking certain action regarding the Indebtedness; or (viii) applies any payment received from Debtor or from any other source, other than Guarantor, to the Indebtedness in any order that Company elects, which Guarantor acknowledges Company may do under the Franchise Agreement.

h. Guarantor unconditionally waives to the fullest extent permitted by Applicable Law all notices that Applicable Law may require Company to give to Guarantor in order for Company to enforce its rights under this Guaranty. Guarantor shall not exercise any right to subrogation, reimbursement, or contribution against Debtor.

i. If Guarantor lends money to Debtor, Guarantor's right to repayment is subordinate to Debtor's obligations to Company.

Section 3. Duration of Guaranty. This Guaranty shall survive termination of the Franchise Agreement.

Section 4. Guarantor's Covenants. While the Franchise Agreement is in effect, Guarantor shall furnish Company with complete personal financial information, including personal tax returns, reasonably promptly following Company's request.

Section 5. Notices. All communications required or permitted to be given to either party under this Guaranty shall be in writing. Notices to Company shall be given in the manner required by the Franchise Agreement and notices to Guarantor shall be directed to the address below Guarantor's signature. Notices shall be deemed duly given on the earliest of: (a) the date when delivered by hand; (b) one business day after delivery to a reputable national overnight delivery service; or (c) four business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt

requested. Either party may change its address for receiving notices by appropriate written notice to the other.

Section 6. Guarantor's Personal Contact Information: Guarantor shall notify Company immediately of any changes in its contact information shown below its signature so that Company has current contact information for Guarantor for as long as this Guaranty is in effect.

Section 7. Dispute Resolution. California law will govern the construction, interpretation, validity, and enforcement of this Guaranty. Guarantor agrees to resolve any dispute with Company arising out of the interpretation or enforcement of this Guaranty exclusively in the federal or state courts located in Los Angeles, California, and to submit to the jurisdiction of these courts. The prevailing party in a dispute shall be entitled to recover against the other its reasonable attorneys' fees and court costs in addition to any other relief awarded by the court.

Section 8. Miscellaneous. This Guaranty shall bind Guarantor's personal representatives, heirs and successors and shall inure to the benefit of Company and its successors and assigns. Any waiver granted by Company to Guarantor must be in writing and will be effective upon Company's delivery of the writing to Guarantor or upon the specific effective date specified in the writing, and only to the extent specifically allowed in such writing. No waiver granted by Company shall limit Company's right to take action of any kind, or not to take action with respect to Guarantor. Any waiver granted by Company to Guarantor is without prejudice to any other rights Company may have. No delay on Company's part in exercising any right or remedy shall constitute a waiver by Company, and no partial exercise by Company of any right or remedy shall preclude Company from fully exercising the same or any other right or remedy. This Guaranty may only be amended by a written agreement executed by Company and Guarantor. Upon request, Guarantor agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to perform this Guaranty.

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed as of the date first written above.

**GUARANTOR:**

\_\_\_\_\_

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

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

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

**Schedule 3**

**ADDRESSES FOR NOTICE**

<b>TO: COMPANY</b>	<b>TO: FRANCHISEE</b>
	<hr/> <hr/> <hr/> <hr/> <hr/>
<b>WITH A COPY TO:</b>	<b>WITH A COPY TO:</b>
	<hr/> <hr/> <hr/> <hr/> <hr/>

**Schedule 4**

**SPOUSAL CONSENT (“Consent”)**

The undersigned \_\_\_\_\_, represents the following in order to induce Company to enter into the Franchise Agreement with Franchisee:

- (1) He or she is married to the person identified in Row A below (“Spouse”).
- (2) His or her Spouse either alone or with the undersigned owns \_\_\_\_\_% or more of the Ownership Interests of the Business Entity identified in Row B below (“Franchisee”).
- (3) Franchisee has entered into a Franchise Agreement with Warabimochi Kamakura Franchise, Inc. on the date shown in Row C below.
- (4) In accordance with the terms of the Franchise Agreement, the undersigned’s Spouse has executed a Personal Guaranty of the obligations of Franchisee in favor of Company.
- (5) The undersigned consents to Spouse’s execution of a Personal Guaranty in favor of Company as required by the Franchise Agreement and agrees that the actions and the obligations undertaken by Spouse in the Personal Guaranty are binding on the marital community.

The undersigned declares that he or she has had the opportunity to read the Franchise Agreement that is the subject of the Personal Guaranty and had the opportunity to seek the advice of independent counsel before executing this Consent and executes this Consent freely with full understanding of its significance.

Dated: \_\_\_\_\_

Signature of Spouse: \_\_\_\_\_

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

<b>Row A – Name of Spouse Who Signed Personal Guaranty</b>
<b>Row B – Name of Franchisee and State of Incorporation or Organization</b>
<b>Row C – Effective Date of Franchise Agreement</b>

**Schedule 5**

**FRANCHISEE'S OWNERSHIP INTERESTS AND EXECUTIVE MANAGEMENT  
AS OF THE EFFECTIVE DATE OF THE FRANCHISE AGREEMENT**

Effective Date of Franchise Agreement: \_\_\_\_\_

Franchisee Business Entity Name: \_\_\_\_\_

State of Incorporation or Organization: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Ownership Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Ownership Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Ownership Percentage Held: \_\_\_\_\_

Primary Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Ownership Percentage Held: \_\_\_\_\_

Names of individuals who are officers, general partners or LLC managers, but not an Owner of Franchisee as of the Effective Date

Names of individuals who are officers, general partners or LLC managers, but not an Owner of Franchisee as of the Effective Date

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_

Names of individuals who occupy a position equivalent to a director on a board of directors, but not an Owner of Franchisee as of the Effective Date

Names of individuals who occupy a position equivalent to a director on a board of directors, but not an Owner of Franchisee as of the Effective Date

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_

General Manager (if any) as of the Effective Date, if not the Primary Owner

Store Manager as of the Effective Date

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_

[ADD ADDITIONAL ROWS AS NEEDED]

## Schedule 6

### COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, ADDRESSES, LISTING, AND ASSUMED OR FICTITIOUS BUSINESS NAME

This Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name (“**Assignment**”) is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (“**Effective Date**”) in accordance with the terms of that certain Franchise Agreement (“**Franchise Agreement**”) between and the person(s) or entity identified on the signature block of this Agreement as “**Franchisee**” and Warabimochi Kamakura Franchise Inc., a \_\_\_\_\_ corporation, the entity identified on the signature block of this Agreement as “**Company**.”

This Assignment is being executed concurrently with the Franchise Agreement (“**Franchise Agreement**”) under which Company granted Franchisee the right and license to use the System in connection with the operation of one Warabimochi Kamakura Shop at the Approved Location subject to the terms and conditions of the Franchise Agreement. The Effective Date of this Assignment is the same as the Effective Date of the Franchise Agreement.

FOR VALUE RECEIVED, Franchisee hereby irrevocably and unconditionally assigns and transfers to Company all of Franchisee’s right, title, and interest in and to those certain telephone numbers, addresses, domain names, locators, directories, listings, and assumed or fictitious business names (collectively, the “**Numbers, Addresses, Listings and Names**”) Franchisee has used or is using in connection with the operation of the Franchised Shop on the effective date of termination or expiration of the Franchise Agreement.

This Assignment may not be revoked without the prior written consent of Company. The parties agree that this Assignment is for collateral purposes only and does not impose on Company any liability or obligation of any kind to Franchisee or any third party arising from or in connection with the operation of the Franchised Shop or Franchisee’s acts or omissions. Company’s execution of this Assignment does not create or impose any express or implied obligations upon Company pertaining to the Numbers, Addresses, Listings and Names used by Franchisee on or before the effective date of termination or expiration of the Franchise Agreement. Furthermore, nothing in this Assignment is intended to, or shall, modify Franchisee’s indemnity agreement in the Franchise Agreement.

Upon termination or expiration of the Franchise Agreement (without renewal or extension) and in accordance with the requirements of the Franchise Agreement, Franchisee shall immediately cease using the Numbers, Addresses, Listings and Names and shall notify the telephone, internet, email, electronic network, directory, and listing entities with which Franchisee has dealt (all such entities are collectively referred to as the “**Provider Companies**”) to effectuate the assignment and transfer of Franchisee’s interest in the Numbers, Addresses, Listings and Names to Company pursuant to the terms of this Assignment. If Franchisee fails to do so, Franchisee agrees that this Assignment gives Company the absolute and unconditional authority to direct the Provider Companies on Franchisee’s behalf to effectuate the assignment and transfer of the Numbers, Addresses, Listings and Names to Company upon termination or expiration of the Franchise Agreement. The parties agree that the Provider Companies may accept Company’s written notice, the Franchise Agreement, or this Assignment as conclusive proof of Company’s exclusive rights in and to the Numbers, Addresses, Listings, and Names as of the effective date of termination or expiration of the Franchise Agreement. The parties further agree that, if the Provider Companies require that the parties execute the Provider Companies’ own assignment forms or other transfer documents following termination or expiration of the Franchise Agreement, Company’s execution of those

forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment.

Franchisee hereby appoints Company as Franchisee's true and lawful attorney-in-fact to direct the Provider Companies to assign the Numbers, Addresses, Listings, and Names to Company, and to execute such documents and take such actions as may be necessary to effectuate the assignment.

The parties agree that at any time after the date of this Assignment they will perform all additional acts and execute and deliver any documents as may be necessary to assist in or accomplish the purpose of this Assignment following termination or expiration of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have signed this Assignment as of the Effective Date.

Company:

Franchisee:

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

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

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

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

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

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

**Schedule 7**

**ADDENDUM TO LEASE (“Addendum”)**

**BY AND BETWEEN**

\_\_\_\_\_ (“**Landlord**”) and \_\_\_\_\_ (“**Tenant or Franchisee**”)

**RE: LEASE ASSUMPTION RIGHTS  
OF \_\_\_\_\_ (“Company”)**

WHEREAS, Company and Tenant are parties to a certain Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) pursuant to which Company has granted Franchisee a franchise and license to use the System including the Licensed Marks to operate a Warabimochi Kamakura Shop at a specific Approved Location (“**Franchised Shop**”) on the terms and conditions stated in the Franchise Agreement; and

WHEREAS, Company has approved Franchisee’s request to locate the Warabimochi Kamakura Shop in certain premises (“**Premises**”) owned by Landlord which is the subject of the Lease (“**Lease**”) attached as **Attachment A** to this Addendum on the condition that all of the conditions and agreements set forth in this Addendum are made a part of the Lease.

WHEREAS, as a condition to Company’s approval of the Premises as the Approved Location for the operation of a Franchised Shop under the Franchise Agreement, Franchisee must obtain the landlord’s agreement to execute this Addendum.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Landlord, Company, and Franchisee each agree to the following terms and conditions as of the effective date of this Addendum shown above their signatures:

Section 1. Definitions. Any capitalized term which is not expressly defined in this Addendum shall have the same meaning assigned to the term in the Franchise Agreement. The parties hereby incorporate these definitions by reference into this Addendum. Landlord acknowledges that it has had the opportunity to request a copy of the Franchise Agreement before executing this Addendum so that it may become familiar with the definitions incorporated into this Addendum.

Section 2. Assignment of Lease. Franchisee irrevocably assigns and transfers to Company all of Franchisee’s right, title, and interest in and to the Lease and all options contained in the Lease. Franchisee acknowledges and agrees that this assignment is a condition of the grant of franchise rights in the Franchise Agreement and Franchisee may not revoke this assignment without the prior written consent of Company and any attempt by Franchisee to revoke this assignment or challenge or deny its existence shall constitute a material breach of the Franchise Agreement. The parties acknowledge that unless and until Company accepts the assignment from Franchisee, Company has no obligations, liabilities, or responsibilities under the Lease of any kind, including as a guarantor or indemnitor of Tenant’s obligations to Landlord. Company’s signature below does not constitute Company’s acceptance of the assignment of the Lease or create or impose any obligations on Company to Landlord.

Section 3. Use of Premises. Franchisee may use the Premises solely for the operation of a Warabimochi Kamakura Shop in accordance with the terms of the Lease. Landlord agrees that Company

may enter the Premises at any time to inspect Franchisee's operations and engage in all activities expressly permitted by the Franchise Agreement.

Section 4. Default in Franchise Agreement. Franchisee's default under the Franchise Agreement for any reason shall automatically constitute an event of default under the Lease without the requirement of written notice of default from Landlord. Franchisee may cure the default under the Lease only by curing the default under the Franchise Agreement in a timely manner.

Section 5. Notices to Company. Landlord shall serve Company with a copy of any notice of default, breach, or termination of Lease at the same time it serves Franchisee with such notice.

Section 6. Incorporation by Reference. Landlord and Franchisee expressly incorporate the terms of this Addendum in, and make it part of, the Lease.

Section 7. Default by Franchisee. Landlord agrees not to terminate the Lease based on Franchisee's breach or default of the Lease unless and until it gives Company written notice identifying the breach or default and at least ten (10) days to cure the breach or default. If Company chooses not to cure the breach or default of the Lease, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy whatsoever against Company.

Section 8. Acceptance of Assignment by Company. Company may accept the assignment of the Lease at any time before the Lease terminates or expires if: (a) Company terminates the Franchise Agreement for any reason; or (b) Franchisee loses the right to occupy the Premises for any reason other than due to the expiration of the Lease or condemnation or destruction of the Premises on the terms stated in the Lease. To accept the assignment, Company must give written notice to Landlord and Franchisee. If Company accepts the assignment in accordance with this Section, from and after the date of acceptance all of the following shall apply:

a. Company shall have all of the right, title, and interest that Franchisee has under the Lease;

b. If Company accepts the assignment without simultaneously terminating the Franchise Agreement, Franchisee shall be treated as Company's subtenant and shall occupy the Premises under a sublease from Company, which sublease shall be on the same terms and conditions of the Lease;

c. If Company accepts the assignment and simultaneously terminates the Franchise Agreement, Company may subsequently assign the Lease or sublease the Premises to a third party franchisee that Company designates to operate the Premises as a Warabimochi Kamakura Shop under the terms of a written franchise agreement entered into by and between Company and the third party franchisee without having to obtain Landlord's prior written consent at the time Company grants the new franchise to the third party franchisee; and

d. Company shall be liable to perform only the obligations of Franchisee under the Lease arising from and after the date on which Company gives written notice to Landlord and Franchisee accepting the assignment. Company shall have no liability for obligations arising before the date on which Company give s written notice to Landlord and Franchisee accepting the assignment.

Section 9. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Company, Landlord agrees not to (i) accept Franchisee's voluntary surrender of the Lease without prior notice to Company, or (ii) amend the Lease without Company's prior written consent.

Section 10. Communications. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or 4 days after being sent by certified or registered mail, return receipt requested, if addressed in accordance with **Attachment B**. Any party may change its address for receiving notices by appropriate written notice to the other.

Section 11. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party to this Addendum. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties to this Addendum. This Addendum sets forth the entire agreement with regard to the rights of Company, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party.

Section 12. WAIVER OF JURY TRIAL. LANDLORD, TENANT AND COMPANY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD, TENANT OR COMPANY ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS ADDENDUM, THE RELATIONSHIP OF LANDLORD, TENANT AND COMPANY, THE USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OR INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE NOW OR HEREAFTER IN EFFECT.

Section 13. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions, and conditions of this Addendum.

Section 14. Electronic Signatures. The parties accept the use of an electronic signature in lieu of a manual signature and agree that an electronic signature will be binding on a party to the same extent as if the party signed this Agreement manually.

Section 15. Confidentiality and Public Announcements. In addition to provisions regarding Confidential Information, the parties agree that no public announcement or any other disclosure regarding the existence or terms of this Agreement, the names or any other identifying information regarding the parties or any individual member or owner of a party, or the nature of the parties' negotiations shall be disclosed in any way or made public unless the other party gives its prior written consent or if disclosure is required by Applicable Law.

*[Signature page follows]*

IN WITNESS WHEREOF, this Addendum is made and entered into by the parties with an effective date of \_\_\_\_\_, \_\_\_\_\_.

Company:

Landlord:

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

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

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

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

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

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

Franchisee:

[NAME OF FRANCHISEE BUSINESS ENTITY]

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

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

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

## Schedule 8

### ADDENDUM TO FRANCHISE AGREEMENT

#### [APPLICABLE ONLY IF FRANCHISEE OBTAINS SBA-GUARANTEED FINANCING]

THIS ADDENDUM (“**Addendum**”) is made and entered into on \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_, a [JURISDICTION] [TYPE OF ENTITY] (“**Company**”), and \_\_\_\_\_ (“**Franchisee**”).

Company and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, \_\_\_\_\_, (the Franchise Agreement, together with any exhibits, schedules and amendments is referred to as the “**Franchise Agreement**”).

Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U.S. Small Business Administration (“**SBA**”). The SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Company requires Franchisee to sign:

#### 1. CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Company has an option to purchase or a right of first refusal with respect to that partial interest, Company may exercise the option or right only if the proposed transferee does not own an Ownership Interest in Franchisee or is not the spouse, child or sibling of an individual who owns an Ownership Interest in Franchisee.
- The parties affirm that if Company’s consent is required for an Event of Transfer as defined in the Franchise Agreement, Company will not unreasonably withhold its consent.
- When Company approves an Event of Transfer, the transferor will not be liable for the actions of the transferee Franchisee.

#### 2. FORCED SALE OF ASSETS

- If Company has the option to purchase Franchised Shop’s assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If Franchisee owns the real estate where the licensee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the term (excluding additional renewals) for fair market value.

#### 3. COVENANTS

- If Franchisee owns the real estate where the Franchised Shop is operating, Company has not and will not during the term of the Franchise Agreement record against the real estate any

restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against Franchisee's real estate, they must be removed in order for Franchisee to obtain SBA-assisted financing.

**4. EMPLOYMENT**

- Company will not directly control (hire, fire, or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by Franchisee not Company.

As to the referenced Franchise Agreement, this Addendum automatically terminates when the SBA no longer has any interest in any SBA-assisted financing provided to Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms. Capitalized terms in this Addendum not defined in this Addendum have the same definition given to the term by the Franchise Agreement and the parties incorporate those definitions by this reference.

Company and Franchisee acknowledge that submission of false information to the SBA, or the withholding of material information from the SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

**Authorized Representative of COMPANY:**

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

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

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

**Authorized Representative of FRANCHISEE:**

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

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

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

**Note to Parties:** This Addendum is based on a form created by the SBA. It only addresses "affiliation" between the Company and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all the SBA eligibility requirements.

## **EXHIBIT D TO FDD**

### **STATE-REQUIRED ADDENDA**

Certain states require a franchisor to register with a state agency in order to offer or sell franchises to residents of the state or for locations in the state. We list these states below.

As a condition of registration in these states, a franchisor must disclose additional information required by the state. In some states, you must sign an amendment to the Master Franchise Agreement. This exhibit includes all of the additional state-specific disclosures and Addenda to Master Franchise Agreement that you must sign at the same time that you sign the Master Franchise Agreement. Please refer to the separate state addendum pages in this Exhibit for the additional disclosures that may apply to you.

CALIFORNIA  
HAWAII  
ILLINOIS  
INDIANA  
MARYLAND  
MICHIGAN (the same disclosures are located immediately before the FDD Table of Contents)  
MINNESOTA  
NEW YORK  
NORTH DAKOTA  
RHODE ISLAND  
SOUTH DAKOTA  
VIRGINIA  
WASHINGTON  
WISCONSIN

The following statement applies only to prospective franchisees who are residents of, or are entering a franchise agreement for a location in, the above-listed states:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED WITH THE FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

1. In addition to the information disclosed in Item 3:

Neither Company nor any person identified in Item 2 of this 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.

2. In addition to the information disclosed in Item 17:

A. California Business and Professions Code §§20000 - 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Master Franchise Agreement contains a provision that is inconsistent with state law, state law will control.

B. The Master Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

C. Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

3. California law requires us to make the following additional disclosures:

A. The Master Franchise Agreement provides that any payment not received by us when due will bear interest at one-half percent (0.5%) per month or at the highest rate allowed by applicable law, whichever is less. Article 15 of the California Constitution limits the maximum rate of interest that may be imposed on a loan or forbearance of money subject to California law. We will not collect interest at a rate that exceeds California law. The fact that we impose these charges is not a waiver of our right to timely payment.

B. Per Corporations Code §31512.1, any provision of the Master Franchise Agreement, this Disclosure Document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- i) Representations made by us or our personnel or agents to a prospective franchisee.
- ii) Reliance by a franchisee on any representations made by us or our personnel or agents.
- iii) Reliance by a franchisee on this Disclosure Document, including any exhibit thereto.
- iv) Violations of any provision of this division.

C. We do not have a federal registration for one or more of our principal marks. Therefore such trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

D. Franchisee must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages.

E. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO MASTER FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. Franchisee is a resident of the State of California or a non-resident who is acquiring master franchise rights for a territory in the State of California to subfranchise Warabimochi Kamakura Shops.

B. The purpose of this Addendum is to amend the Master Franchise Agreement in order to comply with the requirements of California law.

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by us, we agree as follows:

1. The above recitals are incorporated by us and made a part of this Addendum.
2. With respect to any provision contained in (a) the Master Franchise Agreement; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by you that is inconsistent with the requirements of the California Franchise Investment Law (California Corporations Code §§ 31000 - 31516) (“CFIL”), the provision will be deleted and will be of no force or effect.
3. Upon the termination or non-renewal of the Master Franchise Agreement, if we are required by §20022 of the California Business and Professions Code to purchase inventory, supplies, equipment, fixtures, and furnishings from you, we may offset any amounts you then owe us against the amount owed by us to you in connection with that purchase, provided that you agree to the amount you owe to us or we have obtained a final adjudication of the amount you owe to us.
4. This Addendum shall be effective only to the extent that the jurisdictional requirements of the CFIL are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the CFIL are not met.
5. The Master Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

Company:

Franchisee:

**KBM-USA Co, Ltd.**

**[NAME]**

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

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

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

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

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

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

## **HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**OUR FRANCHISE DISCLOSURE DOCUMENT HAS BEEN FILED WITH THE HAWAII DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS UNDER THE HAWAII FRANCHISE INVESTMENT LAW. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE HAWAII FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISEE, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE MASTER FRANCHISE AGREEMENT. THE MASTER FRANCHISE AGREEMENT AND OTHER EXHIBITS TO THE FRANCHISE DISCLOSURE DOCUMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

1. Section 482E-(3) of Hawaii Revised Statutes provides that you may be entitled to certain compensation upon termination or refusal to renew the Master Franchise Agreement. If this Section applies to you, you shall have an interest in the franchise upon termination or refusal to renew as specified therein.
2. No release language set forth in the Master Franchise Agreement shall relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

## ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The terms and conditions under which the Master Franchise Agreement may be terminated and your rights upon non-renewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act (815 ILCS Sections 705/19 and 705/20).

2. The Illinois Franchise Disclosure Act (815 ILCS Section 705/4) provides that “any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State [Illinois] is void provided that a franchise agreement may provide for arbitration in a forum outside of this State [Illinois].” However, to eliminate any confusion regarding this disclosure, the Master Franchise Agreement does not require mediation and does not permit arbitration.

3. Illinois residents and non-residents who own a franchise located in the State of Illinois will enter into the Illinois Addendum to Master Franchise Agreement in the form included in this Exhibit.

4. The provisions of the Illinois Franchise Disclosure Act of 1987 shall supersede any provision of the Master Franchise Agreement that conflicts with the Illinois Franchise Disclosure Act. As a result, Illinois law shall be applied to, and govern, any claim between the parties that alleges violation of the Act. In Item 17, the summary accompanying provision (w) with regard to the Master Franchise Agreement is supplemented by the addition of the following language at the end of the summary: “Notwithstanding anything to the contrary contained above, Illinois law, including the Illinois Franchise Disclosure Act of 1987 (815 ILCS Section 705/1 et seq.), will apply to Illinois franchisees.”

5. In conformance with Section 41 of the Illinois Franchise Disclosure Act (815 ILCS Section 705/41), any condition, stipulation or provision purporting to waive compliance with the Act is void.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO MASTER FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. Franchisee is a resident of the State of Illinois or a non-resident who is acquiring master franchise rights for a territory in the State of Illinois to subfranchise Warabimochi Kamakura Shops.

B. The purpose of this Addendum is to amend the Master Franchise Agreement, in order to conform the Master Franchise Agreement to the requirements of the Illinois Franchise Disclosure Act (the “Act”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. The Act declares that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of the State of Illinois void, except that a franchise agreement may provide for arbitration in a forum outside of the State of Illinois. To the extent that the Master Franchise Agreement is inconsistent with the Act, the provisions of the Act shall control. However, to avoid confusion regarding this provision, the parties acknowledge and agree that the Master Franchise Agreement does not permit arbitration.
3. Illinois law shall be applied to, and govern, any claim between the parties that alleges violation of the Act.
4. Among other things, we acknowledge Section 41 of the Act, which provides: “Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

7. The Master Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

**KBM-USA CO., LTD.**

**[NAME]**

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

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

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

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

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

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

## INDIANA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. Indiana has a statute, the Indiana Deceptive Practices Act (the “Act”), which makes it unlawful for a franchise agreement with an Indiana resident or nonresident who will operate a franchise in Indiana to contain any of the following provisions:

A. Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where the goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute the improper designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute an improper designation. This paragraph does not apply to goods, supplies, inventories, or services that are manufactured or trademarked by, or for, the franchisor.

B. Allowing the franchisor to establish a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

C. Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

D. Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

E. Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by Indiana law or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This paragraph does not apply to arbitration before an independent arbitrator.

F. Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee’s receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this paragraph.

G. Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the franchise agreement.

H. Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This paragraph shall not prohibit a franchise agreement from providing that the agreement is not renewable meets certain conditions specified in the agreement.

I. Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement

or, in the absence of an exclusive area provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

J. Limiting litigation brought for breach of the agreement in any manner whatsoever.

K. Requiring the franchisee to participate in any:

(i) Advertising campaign or contest;

(ii) Promotional campaigns;

(iii) Promotional materials; or

(iv) Display decorations or materials; at any expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

L. Requiring a franchisee to enter into an agreement providing the franchisor with any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or materials provided by the franchisor or by the franchisor's negligence.

M. Requiring a franchisee to enter into an agreement reserving the right to injunctive relief and any specific damages to the franchisor, limiting the remedies available to either party without benefit of appropriate process or recognizing the adequacy or inadequacy of any remedy under the agreement.

2. It is unlawful for any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana to engage in any of the following acts and practices in relation to the agreement:

A. Coercing the franchisee to:

(i) Order or accept delivery of any goods, supplies, inventories, or services which are neither necessary to the operation of the franchise, required by the franchise agreement, required by law, nor voluntarily ordered by the franchisee.

(ii) Order or accept delivery of any goods offered for sale by the franchisee which includes modifications or accessories which are not included in the base price of those goods as publicly advertised by the franchisor.

(iii) Participate in an advertising campaign or contest, any promotional campaign, promotional materials, display decorations, or materials at an expense to the franchisee over and above the maximum percentage of gross monthly sales or the maximum absolute sum required to be spent by the franchisee provided for in the franchise agreement; and absent a maximum expenditure provision in the franchise agreement, no such participation may be required; or

(iv) Enter into any agreement with the franchisor or any designee of the franchisor, or do any other act prejudicial to the franchisee, by threatening to cancel or fail to renew any agreement between the franchisee and the franchisor. Notice in good faith to any franchisee of the franchisee's violation of the terms or provisions of a franchise or agreement does not constitute a violation of this paragraph.

B. Refusing or failing to deliver in reasonable quantities and within a reasonable time after receipt of an order from a franchisee for any goods, supplies, inventories, or services which the franchisor has agreed to supply to the franchisee, unless the failure is caused by acts or caused beyond the control of the franchisor.

C. Denying the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise.

D. Establishing a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or if no exclusive territory is designated, competing unfairly with the franchisee within a reasonable area. However, a franchisor shall not be considered to be competing when operating a business either temporarily for a reasonable period of time, or in a bona fide retail operation which is for sale to any qualified independent person at a fair and reasonable price, or in a bona fide relationship in which an independent person has made a significant investment subject to loss in the business operation and can reasonably expect to acquire full ownership of such business on reasonable terms and conditions.

E. Discriminating unfairly among its franchisees or unreasonably failing or refusing to comply with any terms of a franchise agreement.

F. Obtaining money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

G. Increasing prices of goods provided by the franchisor which the franchisee had ordered for retail consumers prior to the franchisee's receipt of a written official price increase notification. Price increases caused by conformity to a state or federal law, the revaluation of the United States dollar in the case of foreign-made goods or pursuant to the franchise agreement are not subject to this paragraph.

H. Using deceptive advertising or engaging in deceptive acts in connection with the franchise or the Company's business.

3. The franchisee does not waive any right under Indiana statutes with regard to prior representations made in the Franchise Disclosure Document.

4. The Master Franchise Agreement is amended to provide that it will be governed and construed in accordance with the laws of the State of Indiana to the extent required by the Act.

5. Any provision in the Master Franchise Agreement that designates venue in a forum outside of Indiana for claims arising under the Act is unenforceable.

6. Each provision of the Master Franchise Agreement that is unlawful pursuant to the Act is deemed to be amended by the parties to conform with the Act.

**ADDENDUM TO MASTER FRANCHISE AGREEMENT  
FOR THE STATE OF INDIANA**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. Franchisee is a resident of the State of Indiana or a non-resident who is acquiring master franchise rights for a territory in the State of Indiana to subfranchise Warabimochi Kamakura Shops.

B. The purpose of this Addendum is to amend the Master Franchise Agreement in order to conform the Master Franchise Agreement to the requirements of the Indiana Deceptive Franchise Practices Law, Indiana Code §23-2-2.7 1 to -7 (the “Law”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. The parties expressly agree that to the extent the Master Franchise Agreement conflicts with the Law, the parties hereby amend the Master Franchise Agreement to the extent necessary to cause the Master Franchise Agreement to conform with the Law.
3. Without limiting the scope of Paragraph 2, the parties expressly agree that (i) no general release given by Franchisee shall operate to release, assign, waive or extinguish any liability arising under the Law; (ii) no provision in the Master Franchise Agreement shall limit Franchisee’s right to sue in court for violations of the Law; (iii) no provision in the Master Franchise Agreement that is intended to prevent Franchisee from relying on any statement or representation made to Franchisee before Franchisee signs the Master Franchise Agreement shall be applied, or extend, to statements contained in the Franchise Disclosure Document delivered to Franchisee prior to Franchisee’s execution of the Master Franchise Agreement; (iv) the choice of Japanese law as the Master Franchise Agreement’s governing law shall not prevent the Law from applying to any claims arising under the Law; and (v) the venue provisions in the Master Franchise Agreement shall not apply to claims arising under the Law to the extent the venue provisions are inconsistent with the Law.
4. Notwithstanding anything to the contrary contained in the Master Franchise Agreement, Franchisee shall have no duty to indemnify Company for any liability that Company may sustain as a result of Franchisee’s proper reliance on or use of any of the procedures or materials furnished by Company or for liability solely attributable to Company’s negligence.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

7. The Master Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

**KBM-USA CO., LTD.**

**[NAME]**

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

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

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

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

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

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

## MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following provisions amend anything to the contrary in Item 17 of the Disclosure Document:

1. As indicated in Item 17, Maryland law (COMAR 02.02.08.16L) provides that a general release required as a condition of renewal or assignment of the franchise shall not operate to extinguish claims arising under the Maryland Franchise Registration and Disclosure Law (the “Maryland Law”).
2. The Maryland Law Section 14-226 prohibits a franchisor from requiring a franchisee to agree to a release, estoppel or waiver of liability as a condition of purchasing a franchise. None of the representations that you must make in purchasing the franchise are intended, or shall be construed, as a release, estoppel or waiver of claims arising under the Maryland Law.
3. The Maryland Law Section 14-216(c)(25) requires us to file an irrevocable consent to be sued in the State of Maryland. If any provision in any of the contracts that you enter into with us requires venue to be in a state other than Maryland, the Maryland Law supersedes such provision.
4. Any claim arising under the Maryland Law must be brought within three years after the grant of the franchise.

Maryland residents and non-residents who own a franchise located in the State of Maryland will enter into the Addendum to Master Franchise Agreement in the form included in this Exhibit.

**ADDENDUM TO MASTER FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. Franchisee is a resident of the State of Maryland or a non-resident who is acquiring master franchise rights for a territory in the State of Maryland to subfranchise Warabimochi Kamakura Shops.

B. The purpose of this Addendum is to amend the Master Franchise Agreement in order to conform the Master Franchise Agreement to the requirements of the Maryland Franchise Registration and Disclosure Law (the “Law”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. The parties acknowledge that the Law prohibits a franchisor from requiring a franchisee to agree to any release, estoppel or waiver of liability or claims arising under the Law as a condition of purchasing, selling, renewing or assigning a franchise that is subject to the Law. The parties agree that no provision in the Master Franchise Agreement is intended to be, nor shall any provision act as, a release, estoppel or waiver of any liability or claims under the Law. The parties amend the Master Franchise Agreement to the extent necessary to conform the Master Franchise Agreement to the requirements of the Law. The parties agree that any release given by Franchisee as a condition of renewal, sale or assignment of the franchise shall not constitute a release, estoppel or waiver of liability or claims under the Law. No representation made by Franchisee in the Master Franchise Agreement is intended to, nor shall it act as, a release, estoppel or waiver of any liability incurred under the Law.
3. The parties amend the Master Franchise Agreement to clarify that claims arising under the Law must be brought within three years from the Effective Date of the Master Franchise Agreement. Therefore, any provision in the Master Franchise Agreement that limits the time period for the parties to bringing a claim shall not act to reduce the period of time that the Law affords to a franchisee to bring a claim for violation of the Law.
4. Each provision in the Master Franchise Agreement establishing venue for litigation outside of Maryland is void with respect to a cause of action that is otherwise enforceable in Maryland. As to causes of action enforceable in Maryland, venue shall be in Maryland.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Law are not met.

7. The Master Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

**KBM-USA CO., LTD.**

**[NAME]**

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

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

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

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

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

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

## MICHIGAN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following provisions apply to franchises in 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:

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided by Michigan law. This shall not preclude a franchise, after entering into a franchise agreement, from settling any and all claims.
3. 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.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five 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 the franchisor's intent not to renew the franchise.
5. 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.
6. 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.
7. 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:
  - A. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - B. The fact that the proposed transferee is a competitor of the franchisor or subcompany.

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

D. 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.

8. 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).

9. 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 MICHIGAN ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

**State of Michigan  
Department of Attorney General  
Consumer Protection Division  
G. Mennen Williams Building, 6th Floor  
Lansing, Michigan 48933**

## MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

For Minnesota residents and nonresidents acquiring master franchise rights for a territory in Minnesota, the applicable sections of the Franchise Disclosure Document are amended to reflect the following wherever appropriate:

1. We will not refuse to renew the Master Franchise Agreement in order to convert your subfranchises to an operation that will be owned by us or one of our affiliates.

2. Minn. Stat. Sec. 80C.21 declares void any condition, stipulation or provision purporting to bind a person to waive compliance with the Minnesota franchise law (Minn. Stat. sections 80C.01 to 80C.22) and the rules promulgated thereunder (the "Minnesota Act"). To the extent that any of the contracts that you sign with us contain a general release, or require you to sign a general release at a later date, in favor of us, the general release will not operate to extinguish claims arising under, or relieve any person from liability imposed by, the Minnesota Act.

3. The Minnesota Act protects your right to require that the venue of any dispute be in Minnesota and that Minnesota law govern all contracts with us. It furthermore protects your right to a jury trial. To the extent any contract that you sign with us is inconsistent with the Minnesota Act, the contract shall be modified to conform with the Minnesota Act.

4. If any contract that you sign with us contains procedures for terminating the contract that are inconsistent with the Minnesota Act, the contract shall be modified to add the following:

"Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases enumerated in the referenced statute, that Company give Franchisee a minimum of 90 days' notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the franchise agreement."

5. If any contract that you sign with us requires you to consent to our obtaining injunctive relief, the contract shall be amended to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing shall prevent us from applying to a forum for injunctive relief.

6. If any contract that you sign with us contains a limitations period for bringing claims against us that is shorter than the limitations period provided under the Minnesota Act, the contract shall be modified to conform to the Minnesota Act.

7. The Minnesota Act requires us to indemnify you from any loss, costs or expenses that you might incur arising out of a third-party challenge to your authorized use of our service marks.

8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchisee.

Minnesota residents and nonresidents acquiring master franchise rights for a territory in Minnesota will enter into the Minnesota Addendum to Master Franchise Agreement in the form included in this Exhibit.

**ADDENDUM TO MASTER FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. Franchisee is a resident of the State of Minnesota or a non-resident who is acquiring master franchise rights for a territory in the State of Minnesota to subfranchise Warabimochi Kamakura Shops.

B. The purpose of this Addendum is to amend the Master Franchise Agreement in order to conform the Master Franchise Agreement to the requirements of the Minnesota Franchise Act (Minn. Stat. Sections 80C.01 to 80C.22) and the rules promulgated thereunder (the “Minnesota Act”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made part of this Addendum.
2. The parties agree that any provision in the Master Franchise Agreement that requires Franchisee to provide Company with a general release in violation of Minnesota law is illegal and of no force or effect.
3. The parties agree that if any provision in the Master Franchise Agreement requires venue for litigation to be in a state other than Minnesota, declares that the laws of a state other than Minnesota shall govern the Master Franchise Agreement, or requires Franchisee to waive its right to a jury trial, the applicable provision shall be amended to add the following:

“Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, prohibit Company from requiring litigation to be conducted outside of Minnesota. In addition, nothing in this Agreement shall in any way abrogate or reduce any rights of Franchisee under Minnesota Statutes, Chapter 80C, or require Franchisee to waive his or her right to a jury trial, or require Franchisee to waive any other rights to any procedure, forum or remedies provided for by Minnesota law.”

4. The parties agree that if any provision in the Master Franchise Agreement contains procedures for terminating the Master Franchise Agreement that are inconsistent with the Minnesota Act, the applicable provision shall be amended to add the following:

“Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, requires, except in certain specified cases, that Company give Franchisee a minimum of 90 days’ notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days’ notice for non-renewal of the franchise agreement.”

5. The parties agree that any provision of the Master Franchise Agreement that requires Franchisee to consent to Company's obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing herein shall prevent Company from applying to a forum for injunctive relief.

6. If any provision in the Master Franchise Agreement contains a limitations period for bringing claims against the Company that is shorter than the limitations period provided under the Minnesota Act, the applicable provision is amended to conform to the Minnesota Act.

7. To the extent required by the Minnesota Act, Company shall indemnify Franchisee from any loss, costs or expenses that Franchisee might incur arising out of a third-party challenge to Franchisee's authorized use of the Licensed Marks.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

9. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Minnesota Act are not met.

10. The Master Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

**KBM-USA CO., LTD.**

**[NAME]**

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

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

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

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

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

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

## NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following information is required by New York's General Business Law (NY Gen. Bus. §680 et seq.) ("New York Franchise Law") and supplements the information in this Disclosure Document:

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The New York State Department of Law, by administrative rule, requires us to advise you of the disclosure question answered by our response in Item 3:

Neither we, any predecessor, any person identified in Item 2, nor any affiliate offering franchises under our principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise; antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, include pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations. If so, disclose the names of the parties, the forum, nature, and current status of the pending action. The franchisor may include a summary opinion of counsel concerning the action if the attorney's consent to the use of the summary opinion of counsel concerning the action if the attorney's consent to the use of the summary opinion is included as part of this Franchise Disclosure Document.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair deceptive practices or comparable allegations. If so, disclose the names of the parties, the forum and date of conviction or date judgment was entered; penalty or damages assessed, and/or terms of settlement.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities

exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent. If so, disclose the name of the person; the public agency, association, or exchange; the court, or other forum; a summary of the allegations or facts found by the agency, association, exchange or court; and the date, nature, terms and conditions of the order or decree.

3. The New York State Department of Law, by administrative rule, requires us to advise you of the disclosure question answered by our response in Item 4:

State whether the franchisor, its affiliate, its predecessor, officers, or general partner during the ten-year period immediately before the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtain 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. If so, disclose the name of the person and/or company that was the debtor under the Bankruptcy Code, the Date of the action and the materials facts.

4. In addition to the information disclosed in Item 5:

We use the Initial Franchise Fee to pay general administrative expenses we incur in satisfying federal and state franchise sales rules, locating and evaluating prospective franchisees, and servicing franchisees pursuant to the Master Franchise Agreement.

5. In addition to the information disclosed in Item 17:

A. To the extent required by applicable law, all rights you enjoy and any causes of action arising in favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687(4) and 687(5) are satisfied.

B. The Master Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. There may be court decisions in the State of New York limiting our ability to restrict your activities after the Master Franchise Agreement has ended.

C. You may terminate the Master Franchise Agreement upon any grounds available by law.

D. The fact that the Master Franchise Agreement and other contracts that you will sign select Japanese law as the governing law should not be considered a waiver of any right conferred upon the franchisor or franchisee by the New York Franchise Law.

E. The Master Franchise Agreement does not restrict our right to assign the Master Franchise Agreement. However, no assignment will be made except to an assignee who in the good faith judgment of the franchisor is willing and financially able to assume our obligations under the Master Franchise Agreement.

6. Revisions that we make to the Franchise System Manual as we are permitted to do under the Master Franchise Agreement will not unreasonably increase your obligations or place an excessive economic burden on your operations.

7. The New York Franchise Law makes it unlawful for a franchisor to require a franchisee to assent to a release, assignment, novation, waiver or estoppel that would relieve a person from any duty or liability imposed by the New York Franchise Law.

## **NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

North Dakota residents and non-residents acquiring master franchise rights for a territory in the State of North Dakota will enter into the North Dakota Addendum to Master Franchise Agreement in the form included in this Exhibit.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE  
AGREEMENT PURSUANT TO THE NORTH DAKOTA FRANCHISE LAW**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. Franchisee is a resident of the State of North Dakota or a non-resident who is acquiring master franchise rights for a territory in the State of North Dakota to subfranchise Warabimochi Kamakura Shops.

B. The purpose of this Addendum is to amend the Master Franchise Agreement in order to conform the Master Franchise Agreement to the requirements of the North Dakota Franchise Investment Law (the “Law”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made part of this Addendum.
2. The Law identifies certain practices as being unfair, unjust, or inequitable to franchisees. The parties hereby amend the Master Franchise Agreement in the following respects in order to comply with the requirements of the Law:
  - (i) To the extent that the covenants in the Master Franchise Agreement pertaining to a Competitive Business restrict competition in a manner contrary to the North Dakota Century Code Section 9-08-06, they may not be enforceable. A covenant not to compete that applies after the Master Franchise Agreement ends for any reason may be unenforceable in the State of North Dakota.
  - (ii) Any provision in the Master Franchise Agreement that requires Franchisee to mediate a dispute with Company at a location outside of North Dakota is not enforceable.
  - (iii) Any provision in the Master Franchise Agreement that requires Franchisee to consent to the jurisdiction of courts outside of North Dakota is not enforceable.
  - (iv) The Master Franchise Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota to the extent required by the Law.
  - (v) Any provision in the Master Franchise Agreement that requires Franchisee to waive the right to a jury trial or the right to collect exemplary or punitive damages is not enforceable under the Law.
  - (vi) Any provision in the Master Franchise Agreement that requires Franchisee to pay all of Company’s costs and expenses to enforce the Master Franchise Agreement is not enforceable. However, a franchise agreement provision that awards attorney’s fees to the prevailing party is enforceable.

(vii) Any provision in the Master Franchise Agreement that requires Franchisee to consent to a limitations period for bringing claims against Company is not enforceable and the statute of limitations under the Law shall apply to claims arising under the Master Franchise Agreement.

(viii) Any provision in the Master Franchise Agreement that requires Franchisee to execute a general release in violation of the Law is not enforceable. However, you acknowledge that Company may, in its sole discretion, modify this requirement and require that Franchisee and Company execute a mutual general release of claims.

(ix) Any provision in the Master Franchise Agreement that requires Franchisee to consent to liquidated damages or termination penalties is not enforceable.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of Law are not met.

5. The Master Franchise Agreement shall be given full force and effect as amended by this Addendum.

6. Fee Deferral. Notwithstanding anything to the contrary in this Disclosure Document or the Franchise Agreement, if you are a North Dakota franchisee, we will not collect any initial fees (including the Initial Franchise Fee and any other fees payable before you open for business) until we have fulfilled our pre-opening obligations to you. Our pre-opening obligations include providing the training, site selection/build-out assistance, and other initial support required under the Franchise Agreement. Once these obligations have been fulfilled, the deferred fees will become immediately due and payable

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

**KBM-USA CO., LTD.**

**[NAME]**

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

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

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

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

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

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

## **RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The Rhode Island Franchise Investment Act (the “Act”) at Section 19-28.1-14 provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside of 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 residents and non-residents acquiring master franchise rights for a territory in the State of Rhode Island will enter into the Rhode Island Addendum to Master Franchise Agreement in the form included in this Exhibit.

**ADDENDUM TO MASTER FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. Franchisee is a resident of the State of Rhode Island or a non-resident who is acquiring master franchise rights for a territory in the State of Rhode Island to subfranchise Warabimochi Kamakura Shops.

B. The purpose of this Addendum is to amend the Master Franchise Agreement in order to conform the Master Franchise Agreement to the requirements of the Rhode Island Franchise Investment Act (the “Act”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. The Act at Section 19-28.1-14 provides that “a provision in a franchise agreement restricting jurisdiction or venue for litigation to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” To the extent that any provision in the Master Franchise Agreement is inconsistent with the Act, the provisions of the Act shall control. This provision shall not modify the parties’ agreement to mediate disputes at Company’s headquarters at the time that a party initiates the mediation.
3. Rhode Island law shall be applied to, and govern, any claim that alleges violation of the Act.
4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
5. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.
6. The Master Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

**KBM-USA CO., LTD.**

**[NAME]**

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

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

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

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

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

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

## **SOUTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following information is required by South Dakota's Franchises for Brand-Name Goods and Services Law (S.D. Codified Laws §37-5B (2008)) ("South Dakota Law") and supplements the information in this Disclosure Document:

1. Item 17 is supplemented by the addition of the following language immediately after the table:

Despite anything to the contrary in the table, the law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota. Any non-binding mediation will be conducted at a mutually agreed upon site. You are not required to submit to venue or a forum outside the State of South Dakota for any claims you may have under the South Dakota Franchises for Brand-Name Goods and Services Law (S.D. Codified Laws §37-5B (2008)).

2. This Addendum is effective only to the extent that the jurisdictional requirements of the South Dakota Law are met independent of and without reference to this Addendum. This Addendum will have no effect if the jurisdictional requirements of the South Dakota Law are not met.

**ADDENDUM TO MASTER FRANCHISE AGREEMENT  
FOR THE STATE OF SOUTH DAKOTA**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. Franchisee is a resident of the State of South Dakota or a non-resident who is acquiring master franchise rights for a territory in the State of South Dakota to subfranchise Warabimochi Kamakura Shops.

B. The purpose of this Addendum is to amend the Master Franchise Agreement in order to conform the Master Franchise Agreement to the requirements of South Dakota’s Franchises for Brand-Name Goods and Services Law (S.D. Codified Laws §37-5B (2008)) (“South Dakota Law”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. The parties acknowledge and agree that:
  - a. Notwithstanding anything to the contrary in the Master Franchise Agreement, the law regarding franchise registration, employment, covenants not to compete, and other matters of local concern shall be governed by the laws of the State of South Dakota.
  - b. You are not required to submit to a venue or forum outside of the State of South Dakota for any claims that you may have against us under the South Dakota Law.
3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
4. This Addendum is effective only to the extent that the jurisdictional requirements of the South Dakota Law are met independent of and without reference to this Addendum. This Addendum will have no effect if the jurisdictional requirements of the South Dakota Law are not met.
5. The Master Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

**KBM-USA CO., LTD.**

**[NAME]**

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

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

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

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

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

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

## **VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

Any provision in the Master Franchise Agreement that 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.).

Additional Disclosures. The following statements are added to the information that we disclose in Item 17:

1. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Master Franchise Agreement do 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. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Master Franchise Agreement involves our use of undue influence to induce you to surrender any rights under the Master Franchise Agreement, that provision may not be enforceable.

## WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. Site of Arbitration, Mediation, and/or Litigation. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. Transfer Fees. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise

agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgment. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. Non-Solicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**ADDENDUM TO MASTER FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

B. The purpose of this Addendum is to amend the Master Franchise Agreement in order to conform the Master Franchise Agreement to the requirements of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW and any rule or order thereunder (together, the “Act”). This Addendum shall be effective only if the jurisdictional requirements set forth in Recital A are met. Any capitalized terms used and not defined in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. Site of Arbitration, Mediation, and/or Litigation. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such

release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. Transfer Fees. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgment. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless

the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. Non-Solicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. The Master Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:  
**KBM-USA CO., LTD.**

FRANCHISEE:  
**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

## **WISCONSIN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The Wisconsin Fair Dealership Law (“Wisconsin Law”) applies to most, if not all franchise agreements and prohibits the termination, cancellation, nonrenewal or substantial change of the competitive circumstances of a dealership agreement without good cause. The Wisconsin Law further provides that at least 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change must be given to the “dealer” as that term is defined by the Wisconsin Law. The Wisconsin Law gives the dealer 60 days to cure the deficiency and if the deficiency is timely cured, the notice is void. The Wisconsin Law may supersede and control the terms of your relationship with us with respect to these subject matters. To the extent that any provision of the Master Franchise Agreement is inconsistent with the Wisconsin Law, the Wisconsin Law will control.

Wisconsin residents and non-residents acquiring master franchise rights for a territory in the State of Wisconsin will enter into the Wisconsin Addendum to Franchise Agreement in the form included in this Exhibit.

**ADDENDUM TO MASTER FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

This ADDENDUM TO MASTER FRANCHISE AGREEMENT (“Addendum”) is made and entered into as of \_\_\_\_\_ by and between KBM-USA Co., Ltd., a Japanese corporation (“Company”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**RECITALS**

A. Franchisee is a resident of the State of Wisconsin or a non-resident who is acquiring master franchise rights for a territory in the State of Wisconsin to subfranchise Warabimochi Kamakura Shops.

B. The purpose of this Addendum is to amend the Master Franchise Agreement in order to conform the Master Franchise Agreement to the requirements of the Wisconsin Fair Dealership Law, Wis. Stats. Ch. 135, Sec. 32.06 et seq. (the “Law”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Master Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. The Law provides certain rights to franchisees, which extend to Franchisee. In particular, and without limitation, the Law prohibits the termination, cancellation, nonrenewal or substantial change of competitive circumstances (as defined by the Law and by case law) of a dealership or franchise agreement without good cause. The Law further provides that 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change of competitive circumstances must be given to the “dealer” as that term is defined by the Law. The Law allows the dealer 60 days to cure the deficiency and if the deficiency is cured, the notice is void. To the extent that the Law conflicts with any provision of the Master Franchise Agreement, the provisions of the Law shall control.
3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
4. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Law are not met.
5. The Master Franchise Agreement shall be given full force and effect, as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

**KBM-USA CO., LTD.**

**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT E TO FDD**  
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**EXHIBIT F TO FDD**  
**OPERATING WARABIMOCCHI KAMAKURA SHOPS**  
**(United States locations only)**

400 S. Baldwin Ave., Suite 9045  
Arcadia, CA 91007  
(626) 538-4027

**EXHIBIT G TO FDD**  
**FINANCIAL STATEMENTS**

**KBM-USA CO., LTD.**  
**FINANCIAL STATEMENTS**  
**MARCH 26, 2025**

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**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholder and Board of Directors**  
**KBM-USA Co., Ltd.**  
**Niigata, Japan**

***Opinion***

We have audited the accompanying balance sheet of KBM-USA Co., Ltd. (a Japanese corporation) as of March 26, 2025, and the related notes to the financial statement.

In our opinion, the balance sheet referred to above present fairly, in all material respects, the financial position of KBM-USA Co., Ltd. as of March 26, 2025, in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statement***

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

***Auditor's Responsibilities for the Audit of the Financial Statement***

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

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

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

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



**Katz Cassidy**  
**An Accountancy Corporation**  
**Los Angeles, California**  
**November 12, 2025**

**KBM-USA CO., LTD.**

**BALANCE SHEET**

**MARCH 26, 2025**

**Assets**

**Current Assets**

Common stock receivable	\$	6,664
Prepaid expenses		<u>67</u>

Total Assets	\$	<u><u>6,731</u></u>
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**Liabilities and Stockholder's Equity**

**Current Liabilities**

Accounts payable	\$	<u>2,053</u>
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Total Liabilities		<u>2,053</u>
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**Stockholder's Equity**

Common stock, no par value: 1,000,000 shares authorized, 10,000 shares issued and outstanding		6,664
Accumulated deficit		<u>(1,986)</u>

Total Stockholder's Equity		<u>4,678</u>
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Total Liabilities and Stockholder's Equity	\$	<u><u>6,731</u></u>
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The accompanying notes are an integral part of this financial statement.

**KBM-USA CO., LTD.**  
**NOTES TO FINANCIAL STATEMENT**  
**MARCH 26, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of KBM-USA Co., Ltd. (the Company) is presented to assist in understanding the Company's financial statement. The financial statement and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Nature of Business

The Company was formed in Japan on May 26, 2025, and is the master franchisor of Warabimochi Kamakura shops in the United States. Warabimochi Kamakura shops sell Japanese sweets and beverages, including Kamakura Warabimochi, a traditional dessert made freshly on-site.

Basis of Financial Statements

The Company's financial statement is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Fair Value of Financial Instruments

The carrying amounts the Company's assets and liabilities are reasonable estimates of their fair value because of the short-term nature of these instruments.

Foreign Currency Translation

For the convenience of the reader, the financial statements have been translated from the Company's functional currency, Japanese yen, into U.S. dollars, using the period-end exchange rate on the balance sheet date, which was .006664 US dollars per Japanese yen.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred income taxes will be provided for timing differences between financial and taxable income before income taxes.

The Company conducts essentially all of its business in Japan and is not subject to taxation in the United States. Regardless of operating losses, Japan imposes a per capita inhabitant tax on Japanese corporations based on capital and the number of employees. Because the Company was incorporated on the balance sheet date, March 26, 2025, no income tax payable has been recorded. In addition, the Company did not record any income tax benefit for the loss incurred during its incorporation due to the uncertainty of realizing a benefit from the loss.

Revenue Recognition

The Company receives royalty revenue from its direct franchisees and from the sale of subfranchises, as well as a portion of the royalties received by master franchisors. Royalty revenue is recognized as sales occur.

The Company's initial non-refundable franchise fee is negotiated between the Company and the franchisee and is generally between approximately \$1,300 and \$69,000, payable in Japanese currency.

**KBM-USA CO., LTD.**  
**NOTES TO FINANCIAL STATEMENT**  
**MARCH 26, 2025**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

The Company's franchise agreements have an initial term of ten years with one ten-year renewal period available at the franchisee's option, subject to certain requirements established by the Company.

In consideration for payment of the initial franchise fee and continuing royalties and other amounts specified in the franchise agreement, the Company licenses new franchisees to use the Warabimochi Kamakura trademarks, operating system and other intellectual property (the WKIP), and provides training, preopening assistance, and shop operating assistance.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

ASU 2014-09 initially required revenue from the licensing of symbolic intellectual property to be recognized over the period of time during which the franchisee has access to such intellectual property. In January 2021, FASB provided a practical expedient under which franchisors may account for pre-opening services provided to a franchisee or other licensee as distinct performance obligations and recognize revenue accordingly. Franchisors may also elect to treat specific pre-opening activities identified by FASB as a single performance obligation. The Company has adopted the practical expedient as of the earliest period presented in the financial statements, but has not elected to treat all eligible pre-opening activities as a single performance obligation.

Management estimates that services provided from the execution of a franchise agreement until the franchisee receives site approval account for 50% of its pre-opening performance obligations. Services provided after site approval until the location opens, including training, account for the remaining 50% of its pre-opening performance obligations. Management believes that the value of its performance obligations after opening, consisting primarily of licensing, are equal to the royalties and other fees charged to each location. Therefore 50% of the franchise fee is recognized as revenue upon site approval, and 50% upon the opening of each location.

The Company has one franchisee operating one location in the United States as of May 26, 2025, and has entered into a master franchise agreement with one party for numerous states in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**KBM-USA CO., LTD.**  
**NOTES TO FINANCIAL STATEMENT**  
**MARCH 26, 2025**

**2. RELATED PARTY TRANSACTIONS**

The Company's parent, K&S Co., Ltd. (K&S Parent), a Japanese corporation, owns the WKIP and operates Warabimochi Kamakura shops and other unrelated businesses in Japan. K&S Parent has authorized the Company to sell franchises and master franchise agreements in the United States. K&S Parent has also entered into multiple master franchise agreements for Warabimochi Kamakura shops operating outside the United States and has the right to sell additional franchises, master franchises, area development agreements and area representative agreements outside the United States.

As of March 26, 2025, the Company has a receivable of \$6,664 from K&S Parent for the initial issuance of the company's common stock.

**3. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 12, 2025, the date on which the financial statements were available to be issued.

## STATE EFFECTIVE DATES

The following states have franchise laws that require that this Disclosure Document be registered or filed with the states, 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 Disclosure Document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	(Pending)
Hawaii	(Pending)
Illinois	(Pending)
Indiana	(Pending)
Maryland	(Pending)
Michigan	(Pending)
Minnesota	(Pending)
New York	(Pending)
North Dakota	(Pending)
Rhode Island	(Pending)
South Dakota	(Pending)
Virginia	(Pending)
Washington	(Pending)
Wisconsin	(Pending)

**OTHER STATES MAY REQUIRE REGISTRATION, FILING, OR EXEMPTION OF A FRANCHISE UNDER OTHER LAWS, SUCH AS THOSE THAT REGULATE THE OFFER AND SALE OF BUSINESS OPPORTUNITIES OR SELLER-ASSISTED MARKETING PLANS.**

## RECEIPT [Your Copy]

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

If Warabimochi Kamakura offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, Warabimochi Kamakura or its affiliates in connection with the proposed franchise sale, or sooner if required by applicable state law.

**Iowa** requires that Warabimochi Kamakura give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 14 calendar days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship. **Michigan** requires that Warabimochi Kamakura give you this disclosure document at least 10 business days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship. **New York** requires that Warabimochi Kamakura give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 10 business days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship.

If Warabimochi Kamakura does not timely deliver this Disclosure Document or if this Disclosure Document contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in **Exhibit E**.

<b>Company:</b> KBM-USA Co., Ltd. B1 Higashi ward office, 1 4 1 Shimokido Higashi ward, Niigata city, Japan Tel. +81-25-270-3080	<b>Franchise Sellers:</b> Shinji Tanaka B1 Higashi ward office, 1 4 1 Shimokido Higashi ward, Niigata city, Japan Tel. +81-25-270-3080
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I have received, on the date indicated, a Warabimochi Kamakura Franchise Disclosure Document with an issuance date of November 12, 2025, that included the following Exhibits:

- |   |   |
|---|---|
| A. List of State Administrators   | D. State-Required Addenda               |
| B. Agents for Service of Process  | E. Manual Table of Contents             |
| C. Master Franchise Agreement<br>Schedule 1 Term Sheet<br>Schedule 2 Form of Subfranchise Agreement | F. Operating Warabimochi Kamakura Shops |
|   | G. Financial Statements                 |

Date FDD Received: \_\_\_\_\_

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

Keep this copy for your records.

## RECEIPT [Our Copy]

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If Warabimochi Kamakura offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, Warabimochi Kamakura or its affiliates in connection with the proposed franchise sale, or sooner if required by applicable state law.

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Date FDD Received: \_\_\_\_\_

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

Return this copy to us -- you may sign through DocuSign or email a pdf of the signed copy to [kamakura.brand.management@gmail.com](mailto:kamakura.brand.management@gmail.com).