

## FRANCHISE DISCLOSURE DOCUMENT



KAJIKEN INTERNATIONAL, INC.  
(a California corporation)  
~~3760 Convoy Street, Suite 219~~ [112 B Street](#)  
San ~~Diego~~ [Mateo](#), California ~~92111~~ [94401](#)  
Ph: (~~415~~) ~~800-2883~~ [650](#) ~~458-3061~~  
[www.kajiken.biz](http://www.kajiken.biz)

Kajiken International, Inc. offers for sale a franchise to operate a distinctive casual-dining Japanese restaurant offering a variety of ramen (Japanese-style noodle) dishes and bowls, various appetizers, and other food, beverages, and related products under the trade name “Kajiken”.

The total investment necessary to begin operation of a Kajiken Restaurant franchise is \$520,500 to ~~\$728,500~~ [\\$830,600](#). This includes \$80,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a Kajiken Restaurant franchise pursuant to an Area Development Agreement, which requires development of a minimum of three (3) Kajiken Restaurants, ranges from \$590,500 to ~~\$798,500~~ [\\$900,600](#). This amount includes \$150,000 that must be paid to the franchisor or affiliate.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the 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 payments to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Timothy Lu, at Kajiken International, Inc., ~~3760 Convoy Street, Suite 219, San Diego, CA 92111~~ [112 B St., San Mateo, California 94401](#) and at ~~(415) 800-2883~~ [\(650\) 458-3061](#).

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

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

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

Issuance Date: July ~~4, 2023~~ [18, 2024](#)

## How to Use This Franchise Disclosure Document

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

| QUESTION   | WHERE TO FIND INFORMATION  |
|--|--|
| <b>How much can I earn?</b>  | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits H and I. |
| <b>How much will I need to invest?</b>   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.   |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit C 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 KAJIKEN RESTAURANT business in my area?</b>              | Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.  |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.   |
| <b>What’s it like to be a Kajiken RESTAURANT franchisee?</b>                             | Item 20 or Exhibits H and I 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 agreement and area development agreement 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. **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.
3. **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.
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 to you.](#)

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

To simplify the language in this Disclosure Document, words such as “we,” “us,” “our,” “Franchisor” or “Kajiken” refer to Kajiken International, Inc., the franchisor. Words such as “you,” “your” and “Franchisee” refer to the purchaser of a Kajiken Restaurant franchise.

### Franchisor, Parent and Affiliates

We are a California corporation that was formed on March 9, 2020. We do business under the trade name “Kajiken.” We do not conduct business under any other name. Our principal business address is ~~3760 Convoy Street, Suite 219~~112 B St., San ~~Diego~~Mateo, California ~~92111~~94401, and our telephone number is ~~(415)-800-2883~~(650) 458-3061.

We have no parent. Our founder and CEO, Kenichi Kaji, opened the first Kajiken restaurant in Japan in December 2010. He is the owner of the “Kajiken” trade name, logo and other trademarks and service marks and related trade dress (the “Marks”). Mr. Kaji is also the founder and principal of our affiliate, Kajiken Corporation.

Kajiken Corporation is a Japanese corporation formed in March 2013. Its principal business address is 1-17-8 Fukue, Showa-ku, Nagoya, Aichi Japan, 466-0059. Kajiken Corporation currently owns and operates six (6) Kajiken Restaurants in Japan and offers franchises for Kajiken Restaurants internationally that are similar to the franchised business offered in this disclosure document. It currently has 65 franchisees in Japan, 6 in Singapore, 23 in China, ~~and 1~~ in New Zealand, and 1 in Australia. It began offering Kajiken franchises in 2013 and does not offer franchises in any other line of business. Kajiken Corporation manufactures certain branded products, such as, sauces, vinegar, soy sauce, flavored oils and cooking oils, which are sold to our franchisees in the United States through a third-party supplier.

On January 1, 2019, Kajiken Corporation entered into an area license agreement with Kajiken USA LLC, a California limited liability company, granting Kajiken USA LLC the rights to develop and operate Kajiken Restaurants and to sublicense the rights to others to establish and operate Kajiken Restaurants in the state of California.

### Agent for Service of Process

The names and address of our agents for service of process are listed on **Exhibit A** to this Disclosure Document.

### Predecessors and Prior Experience

We have no predecessors. We began offering franchises on January 16, 2021. We have never offered franchises in any other line of business. We do not operate a business of the type we franchise.

### The Business We Offer

We offer for sale a franchise to establish and operate a distinctive, casual-dining Japanese restaurant offering a variety of ramen (Japanese-style noodle) dishes and bowls, various appetizers, and other food, beverages, and related products (the “Kajiken Restaurant”) under the terms of a franchise

agreement attached as **Exhibit B** (the “Franchise Agreement”). Kajiken Restaurants are typically 1,000 to 2,500 square feet and usually located in a shopping center or a free-standing building.

~~The Franchise Agreement authorizes you to use the Marks in connection with your operation of a Kajiken Restaurant and permits you to operate the restaurant under a format and system specified by us (the “System”). The distinguishing characteristics of the System include, without limitation, uniform and distinctive building designs, interior and exterior layout and trade dress; business methods; standards and specifications for supplies and menus (including food and beverage designations, food presentation, special recipes, and quality and quantity standards); operating procedures for sanitation, maintenance and food and beverage storage, preparation and service; and methods and techniques for inventory and cost controls, recordkeeping and reporting, training, purchasing, sales, promotion and advertising. The System’s standards, specifications and procedures are described in our confidential operations manuals (collectively, the “Manual”). The System and the Manual may be changed, improved and further developed by us. Other material aspects of the franchise are described in this Disclosure Document and its exhibits, including the Franchise Agreement, which will govern the relationship between you and us.~~

~~—————We offer the right to establish and operate a single Kajiken Restaurant (the “Restaurant”) pursuant to the terms of the Franchise Agreement. The Franchise Agreement is signed by us, by you, and by those of your principals whom we designate as the principal franchisee-operator(s) (the “Operating Partner(s)”) of the Restaurant. The Operating Partner(s) (there may be up to two such individuals but only one address to which we communicate ~~to~~ regarding the franchise) named has the authority to act for you in all matters relating to the Restaurant, including voting responsibilities. ~~By signing the Franchise Agreement, you and the Operating Partner(s) agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement. Depending on the type of business activities, which must be fully disclosed prior to signing this document, in which you or your Operating Partner(s) may be involved, we may require you or your Operating Partner(s) to sign additional confidentiality and non-competition agreements.~~~~

In addition to offering franchises for individual Kajiken Restaurants, we offer the right to develop and operate a minimum of three (3) Kajiken Restaurants under the form of an area development agreement attached as **Exhibit J** (the “Area Development Agreement”). The development schedule included in the Area Development Agreement (the “Development Schedule”) will specify the dates by which you must open each Kajiken Restaurant. For each Kajiken Restaurant you develop under an Area Development Agreement, you will sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Disclosure Document. The number of Kajiken Restaurants, the development area and schedule must be agreed upon by us prior to execution of the Area Development Agreement. Before the execution of each Franchise Agreement, we will deliver to you a Disclosure Document describing the terms of our then-current Franchise Agreement and provide you with other relevant information.

~~—————In the future, we may enter into arrangements with existing Kajiken franchisees to assist us with providing training to our franchisees. These existing franchisees may conduct meetings and providing training to you on our behalf. The training services provided by such existing franchisees will satisfy our applicable training obligations to you under the Franchise Agreement. They will receive compensation from us for their services.~~

## Market and Competition

The markets for casual-dining restaurants are fully developed, highly competitive and growing each year and include all types of cuisine. You will compete in the casual-dining food business with various established independent local restaurants and regional or national chain outlets offering Japanese-style foods, including those offering ramen dishes and bowls, as well as with other casual-dining and quick-service restaurants offering other products, both fast take-out service and full service, and catering services, and even other Kajiken Restaurant franchisees. Typically, casual dining restaurant businesses operate year-round, so sales are not seasonal.

## Applicable Regulations

~~\_\_\_\_\_~~ You must comply with federal, state, and local health and environmental safety regulations concerning the proper handling, cooking, and serving of food products. These regulations may include ~~menu labeling laws, laws relating to the storage of food, menu labeling, including the disclosure of nutrition and calorie information; food storage; the~~ use of appropriate cooking temperatures, ~~and laws which effect; the proper use, storage and disposal of waste, insecticides, and other hazardous materials; the sale of alcoholic beverages; and~~ how you train and supervise your staff. ~~You~~ Additionally, you must ~~also~~ comply with all other applicable federal ~~and state, state, and local laws and regulations, including~~ employment laws, ~~as well as~~ and building code laws, which may affect how your ~~unit~~ Restaurant looks, what signs you may display, ~~and~~ the amount and type of parking, drive-thru or hours of operation that you may keep, ~~and place~~ California and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of the Restaurant, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the Authorized Location; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; the availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) and set standards and requirements for fire safety and general emergency preparedness; (e) govern the use of vending machines; (f) control the sale of alcoholic beverages; and (g) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials.

~~\_\_\_\_\_~~ The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in restaurants. The Food and Drug Administration's *Nutritional Labeling Guide for Restaurants and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA.

~~\_\_\_\_\_~~ The Health Care Reform Bills that became law in March 2010 contain provisions that require disclosure of nutrition and calorie information in chains of more than 20 restaurants. California law requires each food facility that meets specified criteria (which cover franchised outlets with at least 19 other franchised outlets with the same name among certain other food facilities) to provide nutritional information that includes, per standard menu item, the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium and to have menu boards to include the total number of calories. Other states and cities may have laws similar to these laws. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Kajiken Restaurant. You should investigate whether there are regulations and requirements that may apply in the geographic

~~area in which you are interested in locating Kajiken Restaurant and should consider both their effect and cost of compliance.~~

~~Some municipalities or other authorities have adopted or are considering regulations requiring the disclosure and posting of certain nutritional or other information on menu boards or otherwise within restaurants. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Kajiken Restaurant.~~

~~The Payment Card Industry Data Security Standard ("PCI DSS") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI DSS applies to all merchants, regardless of size or number of transactions that accept, transmit or store any cardholder data.~~

## **ITEM 2 BUSINESS EXPERIENCE**

### **Co-Founder and Chief Executive Officer: Kenichi Kaji**

Mr. Kaji is one of our Founders and has served our Chief Executive Office since our inception. He is also the Founder and President of our affiliate, Kajiken Corporation, and has held that position since its inception in March 2013. All positions listed here for Mr. Kaji are located in Nagoya, Japan.

### **Co-Founder, Chief Financial Officer, and Chief Operating Officer: Jun Kondo**

Mr. Kondo is one of our Founders and has served as our Chief Financial Officer and Chief Operating Officer since our inception. He is also the Chief Financial Officer and Executive Vice President of our affiliate, Kajiken Corporation, and has held those positions since March 2015 and January 2019, respectively. All positions listed here for Mr. Kondo are located in Nagoya, Japan.

### **Secretary: Timothy Lu**

Mr. Lu has served as our Secretary since June 2020 and works from San Mateo, California. Since October 2018, he has been an owner and Managing Member of Kajiken USA LLC, which owns and operates a Kajiken franchise located in San Mateo, California. Mr. Lu was the General Manager at Taishoken, a Japanese ramen restaurant located in San Mateo, California, from July 2019 to September 2021. He was a Shift Leader and Server at Gochi Fusion Tapas, a Japanese restaurant located in Mountain View, California, from January 2017 to August 2022.

## **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

### Franchise Agreement

Initial Franchise Fee. You must pay us a lump sum initial franchise fee (the “Initial Franchise Fee”) in the amount of \$50,000 to establish a single Kajiken Restaurant under a Franchise Agreement. If you are an existing franchisee in Good Standing, you will pay us a reduced Initial Franchise Fee in the amount of \$40,000 for each subsequent Kajiken Restaurant franchise you purchase. The Initial Franchise Fee is payable by cashier's check, wire transfer, or electronic check (“eCheck”), and is deemed fully earned by us upon payment and is not refundable in whole or in part, under any circumstances.

Initial Training Fee. You must pay us an “Initial Training Fee” in a lump sum amount of \$30,000 prior to receiving our initial training and the opening of your Restaurant. The Initial Training Fee will cover the costs of training you (or the Operating Partner) and at least two (2) of your supervisory or managerial personnel (i.e., restaurant managers); provided that you and your supervisory or managerial personnel attend the initial training at the same time. Subject to availability, and with our approval, you may have additional employees attend the initial training with you at no additional charge. You are responsible for all travel, lodging, food, wages, and other expenses in connection with the initial training for you and your employees. The Initial Training Fee is payable by cashier's check, wire transfer, or eCheck. If you are unable to obtain an acceptable site and open your Restaurant, we may, at our sole discretion, refund a portion of the Initial Training Fee on a pro rata basis. We will calculate your refund amount, if any, by deducting the total expenses we incur to provide the initial training to you, which includes the travel and living expenses and wages of our trainer(s), from the Initial Training Fee. If you do not complete our Initial Training Program in the scheduled time period and we need to extend the initial training for a longer period of time, then we may charge you a fee of \$300 per day until you satisfactorily complete the Initial Training Program.

### Area Development Agreement

Development Fee. If you wish to develop three (3) or more Kajiken Restaurants, you will sign an Area Development Agreement. At the signing of the Area Development Agreement, you will pay us a lump sum development fee (“Development Fee”) in an amount equal to \$40,000 multiplied by the number of Kajiken Restaurants to be opened under the terms of the Area Development Agreement. The Development Fee is fully earned by us when paid and is not refundable, in whole or in part, under any circumstances.

Each time you sign a Franchise Agreement for a Kajiken Restaurant, we will credit the amount paid for that Kajiken Restaurant as part of the Development Fee against the amount of the Initial Franchise Fee owed for the Kajiken Restaurant.

**ITEM 6 OTHER FEES**

**Franchise Agreement**

| TYPE OF FEE <sup>(1)</sup>                              | AMOUNT   | DUE DATE  | REMARKS  |
|---|--|---|--|
| Royalty Fee <sup>(2)</sup>                              | 4% of Gross Sales <sup>(3)</sup>                                       | Payable weekly on Wednesday by wire transfer or check | If any state imposes sales or other taxes on the royalty fees, then we have the right to collect this tax from you.  |
| Marketing Fund Contribution <sup>(4)</sup>              | 0.75% of Gross Sales <sup>(3)</sup><br><u>Currently, not assessed.</u> | Payable weekly on Wednesday by wire transfer or check | We have not yet established a Marketing Fund. If we establish a Marketing Fund, we will give you 6 months' notice before establishing one and charging you this fee. At our discretion, we may increase or decrease the Marketing Fund Contribution, which may range from 0.5% to 3% of your Gross Sales. <sup>(3)</sup> |
| Local Marketing and Advertising Expenses <sup>(5)</sup> | 1% of Gross Sales <sup>(3)</sup>                                       | Monthly   | You must spend at least this amount on local advertising and promotion of the Restaurant each month.   |
| Advertising Cooperative Fees <sup>(6)</sup>             | Not yet established.   | (See Note 6)  | (See Note 6)   |
| Additional Training Fee <sup>(7)</sup>                  | \$2,760 per trainee.   | Prior to training.                                    | You will pay us this fee for any additional initial training that you request or need for you or your employees. You are responsible for your and your employees' travel, lodging and living expenses while attending the training.  |
| Ongoing/Refresher Training <sup>(8)</sup>               | \$250 - \$1,000 per day.   | Prior to training.                                    | Additionally, you must pay for your <del>employee's</del> <u>employees'</u> compensation (if applicable), and any travel and living expenses you (and your employees) incur to attend the training. If we travel to your location, you must pay our reasonable and customary business travel expenses.                   |

| TYPE OF FEE <sup>(1)</sup>                       | AMOUNT   | DUE DATE   | REMARKS  |
|--|--|--|--|
| Transfer Fee <sup>(9)</sup>                      | <del>Varies depending on type of transfer.</del><br>40% or 70% of the then-current Initial Franchise Fee, or \$2,300.          | On submitting an application for consent to assignment.  | Payable upon sale or transfer of franchise. <a href="#">The amount you pay depends on the type of transfer (See Note 9).</a> No charge if franchise is transferred to an entity wholly owned by you. This fee is not refundable. <a href="#">This fee is subject to state law.</a> |
| Interest and Late Payment Charge <sup>(10)</sup> | The lesser of 1.5% per month or the highest rate of interest allowed by law. (The maximum interest rate in California is 10%.) | Upon demand.   | Applies to all amounts not paid when due, until paid in full. We may also require you to pay an administrative fee of \$92 for each late payment or late report.   |
| Insurance Reimbursement <sup>(11)</sup>          | Amount of unpaid premium.  | Must have the policies within 60 calendar days after signing the Franchise Agreement, but no later than the time that you acquire an interest in the real property from which you will operate the Restaurant. | Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.  |
| Audit Fees <sup>(12)</sup>                       | All costs of or relating to the audit.   | Upon demand  | Payable only if audit shows an understatement of 2% or more.   |
| Cost of Enforcement or Defense                   | All costs including attorneys' fees  | Upon settlement or conclusion of claim or action.  | You will reimburse us for all costs in enforcing our obligations concerning the Franchise Agreement if we prevail.   |
| Indemnification <sup>(13)</sup>                  | Reimbursement of damages and losses.   | On demand.   | You are obligated to indemnify us for all damages or losses we incur as a result of the operation of your Restaurant.  |
| Upgrades and Ongoing Maintenance <sup>(14)</sup> | \$460 to \$46,000  | At time of modification.   | You will make these expenditures as we require to comply with modifications, improvements, and/or upgrades, such as painting, graphics, equipment or fixture repair and on-going maintenance depending on the wear and tear  |

| TYPE OF FEE <sup>(1)</sup>                               | AMOUNT   | DUE DATE                   | REMARKS  |
|--|--|----------------------------|--|
|  |  |                            | of the Restaurant and in accordance with <a href="#">a format and system specified by use</a> (the “System”). Payable to suppliers.                    |
| Alternative Supplier Approval <sup>(15)</sup>            | The lesser of actual costs or \$920 per each inquiry.  | At time of request.        | Additionally, you must reimburse us for any travel, accommodations, and meal expenses.   |
| Gift Card Program <sup>(16)</sup>                        | Face value of the gift card.   | Weekly                     | You must participate in our Gift Card Program. Gift Cards will be available for sale and redemption at any Kajiken Restaurant in the System.           |
| Support Fee  | 10% of Gross Sales during the time period support is provided, plus travel and living expenses           | On demand.                 | Payable only if you fail to have a trained Operating Partner and we take over management of the Restaurant until a successor is trained.               |
| Prohibited Product or Service Fine <sup>(17)</sup>       | \$460 per day  | As incurred.               | We may charge you this as a fine for each day you offer unauthorized products or services.   |
| <a href="#">Liquidated Damages for Early Termination</a> | <a href="#">The sum of Royalty Fees paid for the 36 months prior to the termination.</a> <sup>(18)</sup> | <a href="#">On demand.</a> | <a href="#">At our election, we may require you to pay us liquidated damages if you terminate your Franchise Agreement before the end of its term.</a> |

**Notes to Chart for Franchise Agreement:**

(1) **General.** All fees are uniformly imposed by and are payable to us, unless otherwise noted. All fees are non-refundable, unless otherwise stated. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any third party. Fees payable to third parties may be refundable based on your individual arrangements.

(2) **Royalty Fee.** Upon our request, you will send us a weekly report showing the computation of your Royalty Fee and all other fees and amounts payable under your Franchise Agreement using our forms. We may access or “poll” by telephone, Internet or other technology, remotely or on-site from your computer system and business records to collect information and to verify your Gross Sales (as defined below in Note 3) and all fees payable under your Franchise Agreement.

(3) **Gross Sales.** “Gross Sales” means the total actual gross charges for all products and services sold to customers of the Restaurant, for cash or credit, whether such sales are made at or from the premises of the Restaurant, or any other location or channel of distribution if approved by us, but excluding: (i)

sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authority; and (ii) customer refunds and adjustments.

(4) Marketing Fund Contribution. If we establish a Marketing Fund, you will pay us, without set-off, credit or deduction of any nature, a Marketing Fund Contribution equal to 0.75% of your Gross Sales each week during the term of your Franchise Agreement. At our sole discretion, and upon thirty (30) days' notice to you, the Marketing Fund Contribution may be increased or decreased, although no increase will require you to contribute more than three percent (3%) of your Gross Sales.

(5) Local Marketing and Advertising Expenses. When/if your annual Gross Sales reach \$3,000,000, then you may decrease your local marketing and advertising expenditure to 0.5% of your Gross Sales.

(6) Advertising Cooperative Fees. If we establish a local or regional advertising cooperative to promote Kajiken Restaurants in your market area, you will contribute in such amounts as are determined by the majority of its members; but, in no event will you be required to pay more than 3% of Gross Sales for combined Local Marketing and Cooperative Advertising. We are not required to participate in any cooperative advertising programs. As of the date of this Disclosure Document, no local or regional advertising cooperative has been established.

(7) Additional Training Fee. If you request additional training from us for your employees, or you employ a new Operating Partner or restaurant manager, you must pay us \$2,760 for each employee that attends training. You must pay all of your travel, food, lodging, wages and wage-related expenses and all other expenses incurred by you and your employees in receiving the training. Additional training may be held at your Restaurant, another Kajiken Restaurant, or another location we designate, or may be conducted virtually, depending on the type of training required, and will be at a date and time that is convenient for us. If we provide the training at your Restaurant, you must pay all of our trainer's reasonable travel, meal and lodging expenses. If we engage an existing Kajiken franchisee to provide training services to you on our behalf, they will receive a negotiated portion of these fees as compensation for their assistance.

(8) Ongoing/Refresher Training. We may require you, the Operating Partner and/or the Restaurant Manager to attend ongoing, refresher and/or remedial training to correct, improve and/or enhance the operation of the Restaurant. We charge a daily fee per trainer for any such training, and the fee may vary depending on the seniority of trainer and number of trainers required for such training. We will designate the location where such refresher training will be held, which may be at your Restaurant, another Kajiken Restaurant, or any other location we designate. You are responsible for all travel, living, incidental and other expenses incurred by you or your personnel in attending any training programs, seminars, meetings, etc. If we send a trainer to your location, in addition to the daily training fee, you will pay all of our reasonable travel, meal and lodging expenses. If we engage an existing Kajiken franchisee to provide training services to you on our behalf, they will receive a negotiated portion of these fees as compensation for their assistance.

(9) Transfer Fee. The Transfer Fee for a transfer to a new franchisee is 70% of the then-current Initial Franchise Fee; for a transfer to an existing franchisee, it is 40% of the then-current Initial Franchise Fee; and for transfers of shares/interest in your business entity to a new franchisee, the fee is \$2,300.

(10) Interest and Late Payment Charge. Amounts due to us (except interest on unpaid amounts due), not paid when due, bear interest from the date due until paid at the rate of 1.5% per month, or the highest

rate of interest allowed by law. We may also recover our reasonable attorneys' fees, costs and other expenses incurred in collecting amounts owed by you.

(11) Insurance Reimbursement. The minimum limits for coverage under many policies will vary depending on several factors, including the size of the Restaurant. See Item 8 of this Disclosure Document for our minimum insurance requirements.

(12) Audit Fees. We may audit your financial information at any time during normal business hours without prior notice. If you have underpaid any fees or amounts due, you must immediately pay us the underpaid amounts plus interest from the date originally due until the date of payment, at the lesser of 1.5% interest per month, or the highest rate of interest allowed by law. If an audit is done because you failed to timely furnish reports, supporting records or other required information, or if the underpayment exceeds 2% of your Gross Sales for any period covering the audit, you must also reimburse us for all costs of the audit including travel, lodging, wage expenses and reasonable accounting and legal expense.

(13) Indemnification. You must indemnify, defend, and hold us harmless, as well as our affiliates, and others named in the Franchise Agreement from damages and liabilities due to facts or events relating to you and/or your business. Refer to the Franchise Agreement and other exhibits for your specific indemnification obligations.

(14) Upgrades and Ongoing Maintenance. You will not have to refurbish the Restaurant more than once every 5 years. You must promptly repair or replace defective, worn-out or obsolete equipment, signage, fixtures or any other item of the interior or exterior of the Restaurant that is in need of repair, refurbishing or redecorating in accordance with our established standards, which may be updated from time to time, or as may be required by your lease. We may change or modify the System that is presently identified by the Marks, including, the adoption and use of new or modified Marks or copyrighted materials. You may be responsible for any reasonable conversion costs.

(15) Alternative Supplier Approval. You may request the approval of an item, product, service or supplier. We may require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal.

(16) Gift Card Program. We have established a Gift Card Program. You must report weekly to us the total amounts for all gift card "sales" and "redemptions" transactions with your customers. You will keep the total proceeds from gift card "sales" in your account until the gift card is redeemed. We will reconcile your account with us by: (1) crediting you for the full value of all gift card transactions redeemed by you weekly from other Kajiken Restaurants that issued the gift cards; and/or (2) debiting you for the full value of each gift card sold at your Restaurant but redeemed at a different location. Upon termination of your Franchise Agreement and non-renewal, you must pay us the full value of any outstanding gift cards sold at your Restaurant that were not redeemed before the termination of your Franchise Agreement.

(17) Prohibited Product or Service Fine. This fee amount is based upon the terms in certain contracts that we have with our Approved Suppliers of products and services that you will offer and sell at the Restaurant. Some of our supplier contracts prohibit or limit us and you from selling certain products and/or services from other competitor brands. Under the terms of such contracts, we may be fined by the Approve Supplier if you sell any of the prohibited or unauthorized products or services at your Restaurant; therefore, we will charge you this fee to cover any such fines that we incur due to your non-compliance. We will charge you the fine amount that we are required to pay the Approved Supplier.

(18) Liquidated Damages for Early Termination. You will pay us a lump sum payment equal to: (i) the total of all Royalty Fees paid for the 36 calendar months of operation of the Restaurant immediately preceding your default; (ii) the average amount of all Royalty Fees paid for the period of time the Restaurant has been in operation preceding your default if less than 36 calendar months, projected on a 36-calendar month basis; or (iii) the average amount of all Royalty Fees paid for the period of time the Restaurant has been in operation preceding your default if the unexpired term is less than 36 months at the time of termination.

**Area Development Agreement**

| Type of Fee <sup>1</sup>    | Amount                                | Due Date   | Remarks  |
|-----------------------------|---------------------------------------|--|--|
| Assignment Fee <sup>2</sup> | Our incurred legal fees.              | On submitting the application for consent to assignment. | Payable when you want to sell/transfer the rights under your Area Development Agreement. |
| Indemnification             | All costs, including attorneys' fees. | As incurred.   | You must reimburse us for all damages arising from your activities.                      |

**Notes to Chart for Area Development Agreement:**

<sup>1</sup> All fees are nonrefundable; the fees are cumulative of the fees you pay under each Franchise Agreement in connection with the operation of each Kajiken Restaurant.

<sup>2</sup> These fees are imposed by and are payable to us.

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**ITEM 7 ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT FOR A KAJIKEN RESTAURANT**

| <b>TYPE OF EXPENDITURE <sup>1</sup></b>                | <b>AMOUNT</b>   | <b>METHOD OF PAYMENT</b> | <b>WHEN DUE</b>                                      | <b>TO WHOM PAYMENT IS TO BE MADE</b>           |
|--|---|--------------------------|--|--|
| Initial Franchise Fee <sup>2</sup>                     | \$50,000  | Lump Sum                 | At signing of Franchise Agreement.                   | Us   |
| Initial Training Fee <sup>3</sup>                      | \$30,000  | Lump Sum                 | Before receiving training and opening your business. | Us   |
| Travel and Living Expenses while Training <sup>4</sup> | \$3,000 - \$8,000                                     | As arranged              | As incurred during training.                         | Transportation Carriers, Hotels, etc.          |
| Real Estate/Lease (3 months + deposit) <sup>5</sup>    | \$14,000 - \$75,000                                   | As arranged              | At signing of Lease.                                 | Landlord                                       |
| Build-Out/Leasehold Improvements <sup>6</sup>          | \$225,000 - <del>\$275,000</del> <u>330,000</u>       | As arranged              | Before Opening.                                      | Approved Suppliers, Architects and Contractors |
| Furniture, Fixtures and Equipment <sup>7</sup>         | \$135,000 - <del>\$165,000</del> <u>198,000</u>       | Lump Sum                 | Before Opening.                                      | Vendors  |
| Opening Inventory <sup>8</sup>                         | \$9,000 - <del>\$15,000</del> <u>18,000</u>           | Lump Sum                 | Before Opening.                                      | Approved Suppliers and Vendors                 |
| Signage <sup>9</sup>                                   | \$4,500 - <del>\$5,500</del> <u>6,600</u>             | As arranged              | Before Opening.                                      | Approved Suppliers                             |
| Utility Deposits <sup>10</sup>                         | \$0 - \$3,000   | As arranged              | Before Opening.                                      | Utility Suppliers                              |
| Business License and Permits <sup>11</sup>             | \$5,000 - \$10,000                                    | As arranged              | Before Opening.                                      | Local, State or Federal Government             |
| Professional/Legal Fees <sup>12</sup>                  | \$6,000 - \$20,000                                    | As arranged              | As incurred, varied times.                           | Lawyers, Accountants, Architects Etc.          |
| Computer and POS Systems <sup>13</sup>                 | \$4,500 - \$10,000                                    | As arranged              | Before Opening.                                      | Vendors  |
| Insurance <sup>14</sup>                                | \$3,500 - \$7,000                                     | As arranged              | Before Opening.                                      | Insurance Carrier                              |
| Grand Opening Expenses <sup>15</sup>                   | \$1,000 - \$5,000                                     | As arranged              | Within 90 days of opening.                           | Vendors  |
| Additional Funds (3 Months) <sup>16</sup>              | \$30,000 - <del>\$50,000</del> <u>60,000</u>          | As arranged              | As incurred, varied times.                           | Employees, Vendors, Utilities                  |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT</b>              | <b>\$520,500 - <del>\$728,500</del><u>830,600</u></b> |                          |  |  |

**YOUR ESTIMATED INITIAL INVESTMENT UNDER AN AREA DEVELOPMENT AGREEMENT**

| <b>TYPE OF EXPENDITURE <sup>1</sup></b>                | <b>AMOUNT</b>   | <b>METHOD OF PAYMENT</b> | <b>WHEN DUE</b>                                      | <b>TO WHOM PAYMENT IS TO BE MADE</b>           |
|--|---|--------------------------|--|--|
| Development Fee <sup>2</sup>                           | \$120,000   | Lump Sum                 | At signing of Area Development Agreement             | Us   |
| Initial Training Fee <sup>3</sup>                      | \$30,000  | Lump Sum                 | Before receiving training and opening your business. | Us   |
| Travel and Living Expenses while Training <sup>4</sup> | \$3,000 - \$8,000                                     | As arranged              | As incurred during training.                         | Transportation Carriers, Hotels, etc.          |
| Real Estate/Lease (3 months + deposit) <sup>5</sup>    | \$14,000 - \$75,000                                   | As arranged              | At signing of Lease.                                 | Landlord                                       |
| Build-Out/Leasehold Improvements <sup>6</sup>          | \$225,000 - <del>\$275,000</del> <u>330,000</u>       | As arranged              | Before Opening.                                      | Approved Suppliers, Architects and Contractors |
| Furniture, Fixtures and Equipment <sup>7</sup>         | \$135,000 - <del>\$165,000</del> <u>198,000</u>       | Lump Sum                 | Before Opening.                                      | Vendors  |
| Opening Inventory <sup>8</sup>                         | \$9,000 - <del>\$15,000</del> <u>18,000</u>           | Lump Sum                 | Before Opening.                                      | Approved Suppliers and Vendors                 |
| Signage <sup>9</sup>                                   | \$4,500 - <del>\$5,500</del> <u>6,600</u>             | As arranged              | Before Opening.                                      | Approved Suppliers                             |
| Utility Deposits <sup>10</sup>                         | \$0 - \$3,000   | As arranged              | Before Opening.                                      | Utility Suppliers                              |
| Business License and Permits <sup>11</sup>             | \$5,000 - \$10,000                                    | As arranged              | Before Opening.                                      | Local, State or Federal Government             |
| Professional/Legal Fees <sup>12</sup>                  | \$6,000 - \$20,000                                    | As arranged              | As incurred, varied times.                           | Lawyers, Accountants, Architects Etc.          |
| Computer and POS Systems <sup>13</sup>                 | \$4,500 - \$10,000                                    | As arranged              | Before Opening.                                      | Vendors  |
| Insurance <sup>14</sup>                                | \$3,500 - \$7,000                                     | As arranged              | Before Opening.                                      | Insurance Carrier                              |
| Grand Opening Expenses <sup>15</sup>                   | \$1,000 - \$5,000                                     | As arranged              | Within 90 days of opening.                           | Vendors  |
| Additional Funds (3 Months) <sup>16</sup>              | \$30,000 - <del>\$50,000</del> <u>60,000</u>          | As arranged              | As incurred, varied times.                           | Employees, Vendors, Utilities                  |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT</b>              | <b>\$590,500 - <del>\$798,500</del><u>900,600</u></b> |                          |  |  |

## Notes to Charts for Your Estimated Initial Investment:

(1) General. All amounts payable to us are nonrefundable, unless otherwise noted. Amounts payable to suppliers/vendors may be refundable according to arrangements you make with the vendor. These figures are estimates of the range of your initial costs in the first 3 months of operation only. We do not offer direct or indirect financing, but leasing and financing may be available for many of the above expenses through third-party lenders.

(2) Initial Franchise Fee. The Initial Franchise Fee for the first Kajiken Restaurant franchise purchased is \$50,000. If you are an existing franchisee in Good Standing, you may purchase additional franchises for a reduced Initial Franchise Fee of \$40,000. The Initial Franchise Fee is not refundable. The Development Fee disclosed in the Area Development Agreement table is for the required minimum 3 Kajiken Restaurants (i.e., \$40,000 x 3 Restaurants = \$120,000) developed under the Area Development Agreement. The Development Fee is non-refundable. The Development Fee will be credited to the Initial Franchisee Fee due for each of the Kajiken Restaurants developed under the Area Development Agreement at the signing of the Franchise Agreement.

(3) Initial Training Fee. The Initial Training Fee will cover the costs of training you (or the Operating Partner) and at least two (2) of your supervisory or managerial personnel (i.e., restaurant managers); provided that you and your supervisory or managerial personnel attend the initial training at the same time. Subject to availability, and with our approval, you may have additional employees attend the initial training with you at no additional charge.

(4) Travel and Living Expenses while Training. The initial training will be conducted at your Restaurant, another Kajiken Restaurant, or at another training facility that we designate. You are responsible for the wages, travel, and living expenses of the attendees. The amount you will spend while training will depend on several factors, including the number of persons attending, the distance you must travel and the type of accommodations you choose, if any are needed.

(5) Real Estate/Lease. You must lease or purchase land and a building for the operation of the Kajiken Restaurant. The typical Kajiken Restaurant is composed of a building having an area of approximately 1,000 to 2,500 square feet, located in a strip shopping center in a suburban commercial area. These figures assume base monthly rental rates ranging from \$3.50 to \$7.50 per square foot. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. Such rent normally ranges between five percent (5%) and eight percent (8%) of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges"), your pro rata share of the real estate taxes and insurance, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Restaurant, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic area. You may also be required to pay a security deposit equal to a month's rent. This estimate covers the first 3 months of operation and 1 month's rent as a security deposit. The cost of the real estate, if purchased, varies significantly from location to location.

(6) Build-Out/Leasehold Improvements. This estimate is based on ~~the actual~~our experience and ~~the~~ costs experienced by our ~~California franchisee~~franchisees in building ~~at their~~ Kajiken ~~Restaurant in San Mateo, California~~Restaurants. Your costs may be lower or significantly higher depending upon many factors, including, without limitation, square footage, location/geographic area, market climate, labor market (e.g., prevailing wage rates, union labor restrictions, etc.), type and condition of the facility/leased premises, and price differences

between various suppliers and contractors, as does the cost of construction of the improvements. Additionally, if you choose finishes or design details that are different than our recommended package (e.g., more expensive tiles or surfaces, raised ceilings, etc.) your costs will increase. Any change orders initiated by you during the construction process will also increase your costs, often significantly. If you lease in a historic site or an older building, you may also face significantly increased costs for special construction needs. The costs (range) associated with the Build-Out/Real Estate Leasehold Improvements in the above chart are based on a site that will be in a “vanilla shell” condition. This includes, but is not limited to, having a concrete floor, demising walls in place that are taped and sanded, a suspended ceiling with grid and ceiling panels, 2x4 fluorescent lights per a minimum of 1 per 100 square feet, storefront with ADA accessible entry/door, 36 inch minimum wide rear door, ADA compliant bathroom, 200 amp electrical panel with service throughout the space, HVAC in place that operates at a minimum 1 ton per 150 square feet, electrical service to the storefront bulkhead for exterior sign hook-up and water and sewer services in place. The costs of leasehold improvements are your sole responsibility and will vary depending upon your negotiations with the landlord or third parties prior to occupancy, or they may be financed through the landlord or third parties. You may be able to negotiate for “tenant improvement” allowances that can help to reduce your net construction costs. Some locations, because they are unique or in desirable, high traffic areas, may not offer any discounts or tenant improvement allowances. This is an important factor for you to consider in choosing a location. You should research potential tenant improvement costs with your real estate broker and prospective landlord and consult with a qualified, licensed contractor for cost estimates specific to your site before signing your lease. You are responsible for obtaining all necessary permits and licenses required for the location, construction, renovation or operation of the Restaurant.

(7) Furniture, Fixtures and Equipment. You must equip the Restaurant with all of the equipment, fixtures, smallwares, and furnishings necessary to open and operate a Kajiken Restaurant. We do not currently have specifications for furniture, fixtures and equipment. Your costs for such items will vary, depending upon the size of your Kajiken Restaurant, the existing supplies of fixtures and equipment, and the number of vendors then selling the fixtures and equipment, and the quantity, types, and prices of items you select. You may purchase new or used equipment. Payment and refund terms will have to be negotiated between the supplier and you.

(8) Opening Inventory. This range covers the estimated initial inventory that you will purchase from our designated approved supplier(s) and other vendors in the first 3 months of operations. This estimated amount includes food products, produce, beverages, cleaning supplies, paper products, plastic utensils, etc.

(9) Signage. You will need to purchase appropriate signage for the Restaurant that we approve. The cost of your signage may be more or less than this estimate, and depends on the size, type and method of installation you choose. Each location may have different restrictions it places on interior and exterior signage that may affect your costs.

(10) Utility Deposits. Typically, a utility deposit will be required only if you are a new customer of the utility company.

(11) Business License and Permits. The range of costs covers the expense to acquire the required local business permits. We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with the Restaurant. Our estimated costs include building permits, fire inspection, sales tax permit, and retail sales permits. If an electrical permit is necessary, the costs may be more. You should investigate applicable requirements in your area and the related costs, including receiving advice from regulatory agencies and your own lawyer, before making any commitments, whether to us or anyone else.

(12) Professional/Legal Fees. Professional fees include payments to attorneys, accountants, architects, and other consultants.

(13) Computer and POS Systems. You must purchase or lease a computer system for use in the Restaurant (the “Computer System”), which includes a computer(s), computer stations, a Point-of-Sale (“POS”) system, a telephone, printers, hardware, software, and related equipment. We do not currently have required specifications for your Computer System; however, we are in the process of reviewing POS systems and plan to designate a POS system that you will be required to use in the operation of your Kajiken Restaurant. Until we designate a POS system, you may use any computer, POS system and related hardware and software you desire, so long as your Computer System is sufficient to properly operate the Kajiken Restaurant, track your sales, create reports, and meet our reporting requirements. This range includes the initial acquisition cost for a Computer System, including, a laptop computer, 2 workstations with iPads, 4 iPad minis and cases for mobile order takers, a POS system and related equipment, a cash drawer, printers, and technology fees for accounting, business management and other software license fees, and related support services. You are solely responsible for obtaining your own employee-scheduling software.

(14) Insurance. This estimate is for 3 months of your minimum required insurance. The actual cost may be more than shown here. You will need to check with your insurance carrier for actual premium quotes and costs, and for the actual amount of deposit. Insurance costs can vary widely, based on the area in which your business is located, your experience with the insurance carrier, the loss experience of the carrier, the amount of deductibles and of coverage, and other factors beyond our control. You should obtain appropriate advice from your own insurance professional before signing any binding documents or making any investments or other commitments, whether to us or anyone else.

(15) Grand Opening Expenses. Within 90 days of opening the Restaurant, you must spend a minimum of \$1,000 on “Grand Opening” advertising, marketing and promotion. We encourage you to spend up to \$5,000 on the Grand Opening advertising.

(16) Additional Funds. This is an estimate of certain funds needed to cover your business (not personal) expenses during the first three months of operation of the Restaurant. It includes payroll costs but not any draw or salary for you. This estimate is based on the experience of our founders and affiliates in owning and operating Kajiken Restaurants in Japan for more than 12 years, and on the experience of our [California franchisee/franchisees](#) opening a Kajiken [Restaurant in San Mateo, California Restaurants](#).

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Required Purchases of Goods

To ensure consistency, quality and uniformity throughout the System, you must purchase signs, supplies, inventory, food products, and other products and materials used in the operation of the Kajiken Restaurant according to our standards and specifications and supplier requirements. All specifications, standards, approved items and suppliers are described in [our confidential operations manuals \(collectively, the “Manual”\)](#) issued to you and through other written communications from us to our franchisees and approved suppliers. We may periodically update and alter our standards and specifications and add to or delete from the list of products and services authorized for sale from the Kajiken Restaurants; notification of such changes will be provided to you in writing by us.

We do not currently have specifications for your computer and POS systems, equipment, fixtures, and furniture. We are in the process of reviewing POS systems and plan to designate a POS system that you will be required to use in the operation of your Kajiken Restaurant. Until we designate a specific POS system, you may use any computer, POS system and related hardware and software, equipment, fixtures and furniture you desire, so long as they are sufficient to properly operate the Kajiken Restaurant according to our standards and requirements, as set for in the Manual and elsewhere.

We may designate a single supplier or multiple suppliers (“Approved Suppliers”) for any given item or service and may concentrate purchases with one or more suppliers in our business judgment. These Approved Suppliers may include, and may be limited to, us or an affiliate of ours. Our affiliate, Kajiken Corporation, manufactures certain branded products, such as, sauces, vinegar, soy sauce, flavored oils and cooking oils, which are sold to our franchisees in the United States through a third-party Approved Supplier. Our affiliate does not sell the products directly to you. Neither we nor our affiliate are currently an Approved Supplier of any product or service that you are required to purchase. On notice by us, you must immediately cease and desist using/offering any products and/or services we deem, in our sole discretion, as unacceptable for using or offering in the Kajiken Restaurant.

We may modify our specifications and may add new specifications in writing. We will provide you with the names of these Approved Suppliers. You may purchase these items from any supplier whose product, service or equipment meets our specifications.

#### **Approval of Alternate Suppliers**

You can request the approval of an item, product, service or supplier by notifying us in writing and submitting such information and/or materials we may request. We may require you to pay the actual costs connected with our review and evaluation of any proposal or \$920 per each inquiry, whichever amount is less. We will notify you in writing of our approval or disapproval within 90 days after you make a written request. (Franchise Agreement, Section 6.7C.)

We may condition and/or revoke our approval of particular items or suppliers as we choose. Our criteria for supplier approval are available to you upon request. Designation of a supplier may be conditioned on factors established by us in our business judgment, including, without limitation, performance relating to quality of results, accuracy of results, frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may approve, or revoke or deny approval, of particular items or suppliers in our business judgment. We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our business judgment. There is no assurance that we will designate more than one supplier for any item, including items for which we are the only designated supplier.

Our specifications and standards for purchasing are in the Manual, as modified periodically.

Approvals of an alternative supplier, or any supplier, may be revoked by us at any time, in our sole discretion, for reasons that include, but are not limited to, quality and service deficiencies by the supplier, a desire to consolidate purchases with a different supplier, financial problems or insolvency of the supplier, and other reasons. We will notify you in writing if we revoke approval of any alternative supplier and you must immediately cease and desist from using such supplier upon receipt of our written notice.

## **Insurance**

You are obligated to obtain and maintain, at your sole expense, all of the insurance coverages that we require. Your policy or policies must be written by an insurance company licensed in the state in which you operate Kajiken Restaurant. The insurance company must have at least an “A” Rating Classification as indicated in A.M. Best’s Key Rating Guide, in accordance with standards and specifications set forth in the Manual. The standards may vary depending on the size of your Kajiken Restaurant and/or other factors, such as what is customary for businesses of your type in your area, but we typically require: (i) All “Risks” or “Special” form coverage insurance on Kajiken Restaurant’s glass, equipment, fixtures and leasehold improvements and other property used in the operation of the Kajiken Restaurant; (ii) Workers’ Compensation and Employer’s Liability Insurance as required by law; (iii) Commercial General Liability Insurance with limits of \$2,000,000 in the aggregate, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; insuring you and us 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 on or about or otherwise relating to the franchised business; (iv) Business Interruption Insurance with coverage for a least 12 months for actual losses; (v) Automobile Liability Insurance for owned and non-owned automobiles including personal injury, wrongful death, and property damage with single limit coverage of at least \$1,000,000; and (vi) Cyber Liability Insurance with a minimum coverage amount as set forth in the Manual and/or otherwise determined by Franchisor and communicated to Franchisee.

We reserve the right from time to time to upgrade the insurance requirements as to policy limits, deductibles, scope of coverage, rating of carriers, etc. We will provide you with written notice of any change in our insurance requirements. You will have 60 days from receipt of such notice to revise your coverage, as specified in the notice.

Your insurance must name us as an additional insured and contain a clause requiring notice to us thirty (30) days in advance of any cancellation or material change to any such policy. The “Additional Insured Endorsement” must be approved in writing by us. You must maintain such additional insured status for us on your general liability policies continuously during the term of the Franchise Agreement.

## **Revenues from a Supplier**

In the future, we may receive revenues from an Approved Supplier(s), although the basis for determining the amount of such revenues has yet to be determined. We have the right to receive promotional allowances and rebates, commissions, and other consideration from suppliers.

## **Revenue from Franchisee Purchases**

We do not currently derive any revenue from franchisees directly purchasing products from us.

During our fiscal year ended December 31, ~~2022~~2023, neither we nor our affiliate received any revenue or other material benefits from required purchases or leases by our franchisees. ~~Based upon the operating results of our Kajiken restaurants owned by our affiliate, we~~We estimate that your required purchases, purchases from designated/approved suppliers and purchases that must meet our specifications in total will be about 47% to 50% of your total purchases to establish a Kajiken Restaurant and about 40% to 60% of your purchases to continue the operation of the Kajiken Restaurant.

### **Negotiated Prices**

We intend to negotiate purchase arrangements with vendors and suppliers for the benefit of our affiliates and franchisees. There are no purchasing or distribution cooperatives, but franchisees will typically receive the same price discount as the Kajiken Restaurant owned and operated by our affiliate.

### **Material Benefits**

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, but the offer or sale of any products or services not approved by us shall constitute a material breach of the Franchise Agreement.

### **Our Ownership Interest in a Supplier**

Our CEO, Kenichi Kaji, has an ownership interest in our affiliate Kajiken Corporation, who is the manufacturer of certain branded products that are sold to our franchisees through a third-party Approved Supplier. Neither we nor any of our officers have an ownership interest in any Approved Supplier.

### **Computer System**

You must acquire a Computer System, including a computer and POS system for use in the Restaurant. We do not currently have required specifications for your Computer System. You may use any computer, POS system and related hardware and software you desire, so long as your Computer System is sufficient to properly operate the Kajiken Restaurant, track your sales, create reports, and meet our reporting requirements.

### **Credit Cards**

You are required to honor all credit, charge, courtesy and cash cards that we approve in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with the sale of products and services at the Restaurant, you are required to maintain the security of cardholder data and adhere to the then-current credit card security standards which can be found at [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org) for the protection of cardholder data throughout the term of your Franchise Agreement. You are responsible for the security of cardholder data in your possession or control and in the possession or control of any of your employees that you engage to process credit cards. You must, if we request that you do so, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all your employees. In the event of a breach or intrusion of or otherwise unauthorized access to cardholder data, you must immediately notify us in the manner required in the PCI DSS requirements and provide an approved third-party full access to conduct a thorough security review following a security intrusion.

### **Cooperatives**

We do not currently operate or sponsor any purchasing cooperatives; however, we may decide to organize one in the future. When possible, we attempt to negotiate bulk purchasing discounts with suppliers on behalf of our franchisees.

### Area Development Agreement

The Area Development Agreement does not require you to buy or lease from us or any designated or approved suppliers, any goods, services, supplies, fixtures, computer hardware and software, or real estate, according to our specifications. However, you must follow our requirements under the Franchise Agreement for each Kajiken Restaurant you develop.

### ITEM 9 FRANCHISEE’S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.**

| Obligation   | Section in Agreement   | Disclosure Document Item |
|--|--|--------------------------|
| a. Site Selection and acquisition/lease                    | Sections 1.2, 6.1, 6.2 and 7.2 of Franchise Agreement<br>Section I(a) and Exhibit A of Area Development Agreement                | Items 7 and 11           |
| b. Pre-opening purchases/leases                            | Sections 6.1, 6.2, 7.2 and 8.4 of Franchise Agreement<br>None in Area Development Agreement                                      | Items 7 and 8            |
| c. Site development and other pre-opening requirements     | Sections 6.1 and 6.2 of Franchise Agreement<br>Section VI of Area Development Agreement  | Items 6, 7 and 11        |
| d. Initial and ongoing training                            | Sections 6.3 and 6.4 of Franchise Agreement<br>None in Area Development Agreement  | Item 11                  |
| e. Opening   | Sections 2.2 and 6.9 of Franchise Agreement<br>None in Area Development Agreement  | Item 11                  |
| f. Fees  | Sections 3.2, 5, 9.1 and 14.3 of Franchise Agreement<br>Section III of Area Development Agreement                                | Items 5, 6, and 7        |
| g. Compliance with standards and policies/operating manual | Sections 1.2, 2.2, 4.2, 6.4, 6.5, 6.6, 7.1, 7.3, 7.4, and 8.7 of Franchise Agreement<br>Section VI of Area Development Agreement | Item 11                  |
| h. Trademarks and proprietary information                  | Sections 1.1, 4, 12.1, 15.2 and 15.6 of Franchise Agreement<br>Section VII of Area Development Agreement                         | Items 13 and 14          |
| i. Restrictions on products/services offered               | Sections 1.3, 2.1, 2.2, 7.1, 8.1 and 8.4 of Franchise Agreement<br>None in Area Development Agreement                            | Items 8 and 16           |
| j. Warranty and customer service requirements              | Section 8.10 and 15.2 of Franchise Agreement<br>None in Area Development Agreement   | Not applicable           |
| k. Territorial development and                             | Section 1.2 and 1.3 of Franchise Agreement   | Not applicable           |

| <b>Obligation</b>                                      | <b>Section in Agreement</b>  | <b>Disclosure Document Item</b> |
|--|--|---------------------------------|
| sales quotas   | Section IV of Area Development Agreement   |                                 |
| l. Ongoing product/service purchases                   | Sections 8.6, 10.3 and 10.5 of Franchise Agreement<br>None in Area Development Agreement                     | Not applicable                  |
| m. Maintenance, appearance and remodeling requirements | Sections 3.2, 7.1 and 7.3 of Franchise Agreement<br>None in Area Development Agreement                       | Not applicable                  |
| n. Insurance   | Section 10.5 of Franchise Agreement<br>None in Area Development Agreement                                    | Item 7                          |
| o. Advertising   | Sections 5.4, 5.5, and 9 of Franchise Agreement<br>None in Area Development Agreement                        | Items 6 and 11                  |
| p. Indemnification                                     | Sections 7.4 and 11.2 of Franchise Agreement<br>Section XII of Area Development Agreement                    | Not applicable                  |
| q. Owner's participation/management/staffing           | Sections 6.3 and 8.5 of Franchise Agreement<br>None in Area Development Agreement                            | Item 11                         |
| r. Records and reports                                 | Sections 10.1 and 10.3 of Franchise Agreement<br>None in Area Development Agreement                          | Item 6                          |
| s. Inspections and audits                              | Sections 8.2 and 10.2 of Franchise Agreement<br>None in Area Development Agreement                           | Item 6                          |
| t. Transfer  | Section 14 of Franchise Agreement<br>Section IX of Area Development Agreement                                | Item 17                         |
| u. Renewal   | Section 3.2 of Franchise Agreement<br>None in Area Development Agreement                                     | Item 17                         |
| v. Post-termination obligations                        | Sections 13.1 and 15.6 of Franchise Agreement<br>Section X of Area Development Agreement                     | Item 17                         |
| w. Non-competition covenants                           | Sections 12.2 and 13 of Franchise Agreement<br>Section X of Area Development Agreement                       | Item 17                         |
| x. Dispute resolution                                  | Section 16 of Franchise Agreement<br>Section XIX of Area Development Agreement                               | Item 17                         |
| y. Other: Guarantee of Performance                     | Section 2.2B. and Exhibit 2 of Franchise Agreement<br>Section XX and Exhibit C of Area Development Agreement | Item 15                         |

## ITEM 10 FINANCING

We do not offer direct or indirect financing for any amount due under the Franchise Agreement or Area Development Agreement. We do not guarantee your note, lease or any other obligation.

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

**Except as listed below, we are not required to provide you with any assistance.**

### A. Pre-Opening Assistance

Before you open the Restaurant:

1. We will provide to you our current written Site Selection Guidelines. You will purchase or lease your Restaurant location from an independent third party, as we do not generally own and lease the premises to you. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping mall, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities that attract consumers and generate traffic. We will assist you in selecting a mutually acceptable site. (Franchise Agreement, Section 6.1)

If you locate a site, we will ~~accept~~approve or reject the site within 30 days after receipt of the Location Report from you. We will not unreasonably withhold our approval to a location proposed by you. We use a software program to evaluate the demographics of a market area for site selection acceptability. If we cannot agree on a site, we may extend the time for you to obtain a site, or we may cancel the Franchise Agreement. (Franchise Agreement, Sections 1.2) If your Franchise Agreement is canceled, you will not receive a refund of the Initial Franchise Fee. The Initial Franchise Fee is fully earned by us upon payment and is not refundable, in whole or in part, under any circumstance (Franchise Agreement, Section 5.1)

If you sign an Area Development Agreement, you will submit a separate Location Report for site approval for each Kajiken Restaurant to be established within your Designated Territory, and our then-current standards for site selection will apply. Factors we consider in approving sites are demographics, density of population, proximity to high schools and college campuses, traffic patterns and others. We will advise you whether a proposed site is approved within approximately 30 days after receipt of the Location Report, Site Plan, and demographic report on the area and information relative to the site and location. Depending upon the completeness of the information provided, the process may take less than 30 days or longer than 30 days; if more than 30 days is required, you will be advised in writing as to the reasons for the delay.

2. We will provide you (or the Operating Partner) and at least two (2) of your supervisory or managerial personnel (i.e., restaurant managers) with our initial training program (the "Initial Training Program"). You and your supervisory or managerial personnel must attend the training at the same time. You will pay us an Initial Training Fee of \$30,000 for the Initial Training Program. The initial training will be conducted at your Restaurant, another Kajiken Restaurant, or at another training facility that we designate. You are responsible for the travel, lodging, living and payroll expenses you and your employees incur to attend the training. (Franchise Agreement, Section 6.3) We may arrange for an existing Kajiken

franchisee to provide training to you on our behalf. The services provided by such existing franchisee will satisfy our applicable training obligations to you under the Franchise Agreement. They will receive compensation from us for their services. (Franchise Agreement, Section 6.10)

3. We will provide you with consultation and advice on your Grand Opening advertising, marketing, and promotion for the Kajiken Restaurant. (Franchise Agreement, Sections 6.9 and 9.6)

4. We will license you the use of our trademarks. (Franchise Agreement, Section 4.2).

5. Lend you a copy of our confidential operations Manual. The Manual may be provided electronically, in which case, we will grant you online access to an electronic version of the Manual during the term of the Franchise Agreement. If you in any way compromise the secure access to the online version of the Manual, including, allowing unauthorized users access to the Manual and its confidential contents, you will be required to pay us liquidated damages in the amount of \$10,000, to compensate us for the breach and related damage to the System. You must strictly comply with the Manual in operating Kajiken Restaurant. We can change the Manual and you must comply with those changes when you receive them, but they will not materially change your rights and obligations under the Franchise Agreement. (Franchise Agreement, Section 6.5)

6. We will consult and advise you on the proper display of the Marks, layout and design, procurement of equipment, furniture, fixtures and initial inventories, and on managing construction or remodeling of the Restaurant. We do not provide, deliver or install any of these items for or to you. We will function in a consulting capacity only and shall not be responsible for overseeing the day-to-day construction of the Restaurant or acting as construction manager. (Franchise Agreement, Section 6.2)

#### **B. Our Obligations During the Operation of the Franchised Business**

During the operation of the Kajiken Restaurant, we will:

1. provide additional training to you and any of your employees at your request. You are responsible for any and all costs associated with such additional training. (Franchise Agreement, Section 6.4 A);

2. provide refresher training or new training, as we may reasonably require, to correct improve and/or enhance the operation of the Restaurant. You will be responsible for any costs associated with attending such training (Franchise Agreement, Section 6.4 B);

3. provide continuing advisory assistance and information to you in the development and operation of the Restaurant, by telephone, computer, fax, e-mail, written updates, periodic meetings, and on-site visits, as we deem advisable. (Franchise Agreement, Section 6.6);

4. specify or approve certain products, services, and suppliers to be used in Kajiken Restaurant. (Franchise Agreement, Section 6.7);

5. subject to the laws in your state, advise you on required pricing, including any fixed minimum or maximum prices of products and services offered by Kajiken Restaurants. We will take into account cost differences among regions and localities. You must use the pricing required by us, unless we consent to changes in local pricing offered by you. (Franchise Agreement, Section 6.8);

6. periodically in our discretion, consult and advise you relative to the advertising and marketing programs and materials approved for use in the System. (Franchise Agreement, Section 9.1); and

7. manage the customer gift card program (the “Gift Card Program”) among Kajiken Ramen franchisees and affiliated companies (Franchise Agreement, Section 10.4).

We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. We may make recommendations that we deem appropriate to assist your efforts. (Franchise Agreement, Section 6.6)

If we establish a Marketing Fund, we will maintain and administer it. (Franchise Agreement, Section 9.3)

### **C. Typical Length of Time before Operation**

We will authorize the opening of your Restaurant when (i) all of your pre-opening obligations have been fulfilled, (ii) pre-opening training has been completed, (iii) all amounts due us have been paid, (iv) copies of all insurance policies (and payment of premiums) and all other required documents have been received by us, and (v) all permits have been approved. The length of time between the signing of the Franchise Agreement or payment of your initial franchise fees and the opening of your Restaurant must be within twelve (12) months. In certain instances, and in our sole discretion, we may extend the opening time an additional ~~threesix~~ (36) months. [Factors that may affect the opening time period include your ability to locate a site, obtain a lease, financing or building permits, zoning and local ordinances, and construction delays.](#)

If you are operating under an Area Development Agreement, you must open multiple Kajiken Restaurants according to your development schedule, which may extend over several years, depending on the number of restaurants you have committed to develop.

### **D. Computer System**

You must purchase or lease, and maintain a Computer System, including computer(s), an online point-of-sale reporting system (“POS System”), telephone, printers, hardware, software and related equipment. We do not currently have required specifications for your Computer System; however, we are in the process of reviewing POS Systems and plan to designate a POS System that you will be required to use in the operation of your Kajiken Restaurant. Until we designate a specific POS System, you may use any computer, POS System and related hardware and software you desire, so long as your Computer System is sufficient to properly operate the Kajiken Restaurant, track your sales, create reports, and meet our reporting requirements. Your Computer System must be equipped with a high-speed connection to the Internet and must include a local area network with a dedicated server.

The POS System you use in the operation of the Kajiken Restaurant must be able to set up various e-mail alerts, to generate detailed sales, inventory, product mix, employee performance, labor scheduling and payroll reports, and to record and report sales activities and gift card sales and redemption. It must also allow us to [remotely](#) access or poll your sales and operational activities.

Once we have approved and designated a specific POS system for use in the operation of the Kajiken Restaurants, we will give you written notice, which will include specifications for our designated POS system. You will have 90 days from the date of our notice to install and begin using the new designated and required POS system in your Kajiken Restaurant. You will be responsible for all costs related to acquiring and using the new POS system in your Kajiken Restaurant.

You will use your POS system to record your Gross Sales and transaction data (such as item ordered, price and date of sale) and to facilitate our customer Gift Card Program. The POS System must be connected at all times to the internet for the purpose of implementing software, transmitting and receiving data, ordering and maintaining the POS System and more.

We will have independent access to information you generate and store on your Computer System, including on your POS system. Your POS System must be designed to enable us to have immediate access to the information monitored by the System, and there is no contractual limitation on our access or use of the information we obtain.

We reserve the right to require you to update or upgrade any computer hardware or software during the term of the franchise, and if we choose to do so, there are no limitations on the cost and frequency of this obligation. We do not have a specific obligation to you to maintain, repair, update or upgrade your Computer System. That is your sole obligation.

We reserve the right to change our specifications for your Computer System in the future to take advantage of technological advances or to adapt the System to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards for new Kajiken Restaurant franchises.

We estimate your initial acquisition cost for your Computer System, including a laptop, iPads, the POS System and software, and related equipment to be approximately ~~\$10,000~~ \$4,500 to ~~\$13,000~~ \$10,000 for a Kajiken Restaurant. The annual POS software support and maintenance costs are estimated to be approximately \$1,200 to \$2,000 per year, which costs you will pay directly to the supplier. The preceding initial acquisition cost estimate does not include the cost of any electrical work, cabling or other installation charges.

You must use our designated merchant services bank for credit card processing and administering our Gift Card Program.

## **E. Advertising**

### **Marketing Fund**

We may establish a "Marketing Fund" in the future to promote the Kajiken Restaurants and the "Kajiken" brand. When and if a Marketing Fund is established, you will be required to make a Marketing Fund Contribution, at our discretion, of 0.5% to 3% of your Gross Sales to the Marketing Fund. We will give you six (6) months' prior notice before you are required to make any Marketing Fund Contribution. All franchisees will contribute to the Marketing Fund on the same basis. Kajiken Restaurants owned by us or our affiliates are not obligated to contribute to the Marketing Fund. Upon 30 days' notice to you,

the Marketing Fund Contribution may be increased or decreased, at our sole discretion, although no increase will require you to contribute more than 3% of your Gross Sales.

Once established, the Marketing Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the Internet; administration expenses; legal fees incurred by or spent defending the Marketing Fund, brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Kajiken Restaurants; agency and consulting services; research, any expenses approved by Franchisor and associated with franchisee advisory groups (if any); and all or portions of the salaries, benefits or expenses of people Franchisor employs who work on Marketing Fund matters (except that such salaries, benefits or expenses will be charged pro rata based on the time they spend on Marketing Fund matters.) (Franchise Agreement, Sections 5.4 and 9.3)

No funds in the Marketing Fund are used for advertising that is principally a solicitation for the sale of franchises, but we may include a brief statement regarding the availability of Kajiken Restaurant franchises in advertising and other items produced using the Marketing Fund. (Franchise Agreement, Section 9.3)

We have no obligation to ensure that Marketing Fund Contributions are spent on advertising in your market area or territory, and we have no obligation to ensure that your Kajiken Restaurant benefits directly or on a pro rata basis from the placement of any advertising.

We anticipate that advertising will be national and regional in scope, but until we establish a national advertising campaign, all contributions to the Marketing Fund will be spent in your own specified region.

Advertising may be prepared in-house or by a national or regional advertising agency.

Any sums paid to the Marketing Fund that are not spent in the year they are collected will be carried over to the following year.

We will prepare, and furnish to you upon written request, an annual, unaudited statement of funds collected and costs incurred. We are not required to have the Advertising Fund statements audited, but if we do so, any related accounting/auditing costs will be paid by the Marketing Fund. (Franchise Agreement, Section 9.3)

### **Advertising Cooperative**

We have no plans to create a local or regional advertising cooperative. We do not require you to join or participate in any local or regional advertising cooperative.

### **Local Advertising**

We have no obligation to spend any amount on advertising in the area or territory in which your Kajiken Restaurant is located. You will spend at least one percent (1%) of your monthly Gross Sales on local advertising to support the Restaurant. How you spend the money is at your discretion; however, you must participate, at your cost, in all promotions we designate for the market in which the Restaurant is located. You may apply your minimum required spending on local advertising (1% of monthly Gross

Sales) to your promotional events expenditures. When/if your annual Gross Sales reach \$3,000,000, you may decrease your local marketing and advertising expenditure to 0.5% of your Gross Sales.

You will be responsible for displaying all in-restaurant materials and the cost of products being promoted. You must submit copies of all local advertising and promotional activities material to us in advance and obtain our written approval before using the advertising and promotional activities material. (Franchise Agreement, Sections 5.5 and 9.4)

Examples of local advertising include billboards, newspaper ads, bench signs, promotional activities, community event and youth sports team sponsorships, charitable sponsorships, radio, cable and television.

Any use of "Social Media" (a network of services such as blogs, microblogs, Facebook, LinkedIn, Instagram, Instagram, and Twitter, and the like) pertaining to the Restaurant must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. We reserve the right to "occupy" any Social Media websites/pages and be the sole provider of information regarding the Kajiken Restaurants on such websites/pages (e.g., a system-wide Facebook page). At our request, you will promptly modify or remove any online communication pertaining to the Restaurant that does not comply with the Franchise Agreement or the Manual. (Franchise Agreement, Section 9.8)

#### **Grand Opening Advertising**

Within ninety (90) days of the opening of the Restaurant, you will spend for Grand Opening advertising, marketing, and promotion (collectively, "Grand Opening Advertising") a minimum of One Thousand Dollars (\$1,000). We encourage you to spend up to Five Thousand Dollars (\$5,000) on the Grand Opening advertising. The Grand Opening shall be in the form, and using the advertising and promotional campaign and materials, reasonably designated or approved by us. (Franchise Agreement, Section 9.6)

#### **Franchisee Advisory Council**

We reserve the right, if necessary and in our sole judgment, to establish a Franchisee Advertising Council. The Franchisee Advertising Council will be composed of an elected body of franchisees for the purpose of providing us with input on advertising and marketing issues. The Franchisee Advertising Council will operate under its own by-laws and will be purely advisory in nature and will have no operational or decision-making authority. (Franchise Agreement, Section 9.7)

#### **F. Operations Manual**

As stated above, we lend you one copy of the Manual during the term of your Franchise Agreement. The Manual contains our mandatory and suggested specifications, standards and operating procedures and is made up of our entire collection of manuals, guidelines, standards and specifications provided to you relating to the development, design, construction and operation of the Restaurant. If there is any dispute concerning the contents of the Manual, the terms of the master copy of the Manual maintained at our principal office will control. As of the date of this Disclosure Document, the Manual consists of approximately 97 pages. Its table of contents is attached to this Disclosure Document as **Exhibit F**. (Franchise Agreement, Section 6.5)

## **G. Training Program**

### Initial Training Program. (Franchise Agreement, Section 6.3)

Within the 3-month period preceding the opening of the Restaurant, we will provide you (or the Operating Partner) and at least two (2) of your supervisory or managerial personnel, including your designated restaurant manager (“Restaurant Manager”), with our Initial Training Program. You and your supervisory or managerial personnel must attend the initial training at the same time. You will pay a fee in the amount of \$30,000 for our Initial Training Program. Subject to availability, and with our approval, you may have additional employees attend the Initial Training Program with you and your Restaurant Manager(s) at no additional charge. You are responsible for all travel, lodging, food, wages, and other expenses in connection with the training for you and your employees.

The Initial Training Program is conducted after the signing of the Franchise Agreement and the signing of your lease for the Restaurant and must be completed by you (or the Operating Partner) and your Restaurant Manager(s) between 1 and 3 weeks prior to the opening of the Restaurant. The length of the Initial Training Program is estimated to be approximately 8 weeks, consisting of a combination of classroom training and on-the-job training, which will be conducted at your Restaurant, another Kajiken Restaurant, or at another training facility that we designate. The Initial Training will cover basic aspects of establishing and operating a Kajiken Restaurant, including your computer and POS systems, recipes, forms, costs and cash control, purchasing, inventory control and disposition, customer service, marketing, selling skills, employee training and scheduling procedures, job functions and maintenance of quality standards.

All of the required Initial Training is mandatory. You and your Restaurant Manager(s) must satisfactorily complete the Initial Training Program to our satisfaction before the Restaurant opens. To satisfactorily complete our Initial Training Program, you must attend all the scheduled training days and times, as communicated to you in advance of the training, with the timeframe established by us, and pass the written test given at the end of the training with a score of 80% or higher. If you (or the Operating Partner) do not satisfactorily complete the Initial Training Program, then we will have the option, at our sole discretion, to (1) extend the Initial Training Program and allow you additional time to successfully complete the Initial Training, or (2) terminate the Franchise Agreement. If you do not complete the Initial Training Program within the scheduled timeframe and, consequently, we need to extend the Initial Training for a longer period of time, then we may charge you a fee of \$300 per day until you complete the Initial Training Program. If you are an existing Kajiken franchisee, we may, at our sole discretion, reduce the amount of required Initial Training for you and your Restaurant Manager(s). (Franchise Agreement, Section 6.3 C, D, E, and G.)

Training requirements are communicated and updated through periodic memos, publications and manuals. The following is an outline of the current Training Program:

## TRAINING PROGRAM

| Subject  | Hours of Classroom Training | Hours of On-the-Job Training | Location  |
|--|-----------------------------|------------------------------|---|
| Corporate Philosophy and Service Concept <ul style="list-style-type: none"> <li>• Company Profile Management “FLR Cost”</li> <li>• Business Manual</li> </ul>  | 10                          | 0                            | At your Restaurant or another Kajiken Restaurant (or at a location later designated by us.) |
| Customer Service <ul style="list-style-type: none"> <li>• Greetings and Actions Desktop Training</li> </ul>  | 2                           | 8                            | At your Restaurant or another Kajiken Restaurant (or at a location later designated by us.) |
| Food Hall Basics <ul style="list-style-type: none"> <li>• Kitchen Equipment Start-Up, Ordering Systems, and Dishwashing</li> <li>• Dish Up - Cleaning and Setting of the Table, Explaining System and Table Condiments, etc.</li> <li>• Correct Serving Style and Placement</li> </ul> | 10                          | 20                           | At your Restaurant or another Kajiken Restaurant (or at a location later designated by us.) |
| Food Hall Business Main <ul style="list-style-type: none"> <li>• Equipment start-up and shut-down, food preparation</li> <li>• Customer Service interactions</li> <li>• Food Hall Practical Test</li> </ul>  | 20                          | 40                           | At your Restaurant or another Kajiken Restaurant (or at a location later designated by us.) |
| Noodle Business Basics <ul style="list-style-type: none"> <li>• Equipment Functions and Correct Care, Weighing Noodles and Making Sauces</li> <li>• Correct Straining of Noodles and Preparation</li> </ul>  | 10                          | 10                           | At your Restaurant or another Kajiken Restaurant (or at a location later designated by us.) |
| Noodle Shop Operations Main <ul style="list-style-type: none"> <li>• Establishment of Equipment, Weighing Noodles and Making Sauces</li> <li>• Correct Straining of Noodles and Preparation</li> <li>• Noodle Shop Operation Test</li> </ul>   | 10                          | 70                           | At your Restaurant or another Kajiken Restaurant (or at a location later designated by us.) |
| Construction of Restaurant and Preparing to Open <ul style="list-style-type: none"> <li>• Food Procurement, Store Interior, Equipment, Preparation Schedule,</li> <li>• FLR Management, Sales and Marketing</li> <li>• Staff Training Program</li> </ul>                               | 10                          | 80                           | At your Restaurant or another Kajiken Restaurant (or at a location later designated by us.) |
| <b>Total</b>   | 72                          | 228                          |   |

Aoki Makoto is in charge of the training program. He has more than 89 years of culinary and restaurant management experience, including management and training at are affiliate's existing Kajiken Restaurants in Japan. Mr. Makoto has been with us since our inception.

We will offer initial training on an as-needed basis, which we anticipate being quarterly. Our primary instruction is through lecture, hands-on training, the Manual and other instructional materials we prepare specifically for the Initial Training Program.

We may arrange for an existing Kajiken franchisee to provide training to you on our behalf. The services provided by such existing franchisee will satisfy our applicable training obligations to you under the Franchise Agreement. They will receive compensation from us for their services. (Franchise Agreement, Section 6.3 B.)

All Restaurant Managers employed after your Kajiken Restaurant is opened will be required to complete the next available initial training classes offered by us following the commencement date of his/her employment, at a location we designate. We may, at our sole discretion, choose to allow you to provide the initial training to new managers at the Restaurant if we believe you are capable of adequately conducting the required initial training. (Franchise Agreement, Section 6.3 F.)

If warranted by government regulations, emergency guidelines, enforced quarantines, travel restrictions, a natural disaster, force majeure or other event outside of our control, we reserve the right to conduct any and all training, classes, courses, meetings, and conferences, online, telephonically, or otherwise, or to cancel or delay any and all such training, classes, courses, meetings, and conferences. (Franchise Agreement, Section 6.3 I.)

#### Additional Training, Refresher Training, and Meetings. (Franchise Agreement, Section 6.4)

If at any time after completion of the Initial Training, you request additional training for you or any of your employees, or if you employ a new Restaurant Manager or select a new Operating Partner, you shall pay us the then-current Additional Training Fee (currently, \$2,760 per trainee) for such additional training. You are responsible for all travel, lodging, food, wages, wage related expenses and other expenses in connection with the training incurred by you and your employees to attend the training.

You must attend, at your sole expense, refresher training or new training offered by us, as we may reasonably require, to correct, improve and/or enhance the operation of the Restaurant. We will designate the location where such refresher training will be held, which may be at your Restaurant, another Kajiken Restaurant, or another location we designate, or may be conducted virtually, depending on the type of training required, and will be at a date and time that is convenient for us. You must pay any applicable, reasonable fees charged by us for the refresher training. We currently charge \$250 to \$1,000 per day for ongoing or refresher training. Additionally, if such refresher training is held at your Restaurant, you must pay all reasonable and customary business travel and living expenses incurred by our trainers while conducting the training at your Restaurant.

Additionally, you must attend, at your sole expense, all annual meetings and other meetings, conferences, conventions, and conference calls of franchisees that we determine are mandatory for all franchisees or groups of franchisees (as designated by us in our reasonable discretion.)

## H. Gift Card Program

We have instituted a program for all Kajiken Restaurant franchisees to sell, issue, or redeem gift cards (the “Gift Card Program”). You must participate by offering Kajiken Restaurant gift cards to your customers and/or honoring all Kajiken Restaurant gift cards presented to you as payment for products and services, regardless of whether the gift card was sold or issued by you or another Kajiken Restaurant. When you sell or issue a gift card, you will keep the amount paid in your account until the gift card is redeemed. We will reconcile your account with us by: (1) crediting you for the full value of all gift card transactions redeemed by you weekly from other Kajiken Restaurants that issued the gift cards; and/or (2) debiting you for the full value of each gift card sold at your Kajiken Restaurant, but redeemed at a different location. You will pay Royalty Fees on sales paid by redeemed gift cards in your Kajiken Restaurant. Kajiken Restaurant gift cards have no expiration date; therefore, you remain liable for each gift card sold at your Kajiken Restaurant upon it is redeemed for an undetermined amount of time. If your Franchise Agreement is terminated and not renewed, you must pay us the full value of any outstanding gift cards sold at your Kajiken Restaurant that were not redeemed before the termination of your Franchise Agreement.

## ITEM 12 TERRITORY

### Franchise Agreement

You will operate the Restaurant at a specific location approved by us (an “Authorized Location”). You must receive our permission before relocating the Restaurant. [We will approve your relocation in the following circumstances: \(1\) without fault to you, the lease to the Premises is terminated prior to the expiration of your Franchise Agreement, or \(2\) in our sole opinion, the Premises are damaged, condemned, or otherwise rendered unusable, and \(3\) you are released from all your obligations to the landlord of the premises and the landlord releases any security hold.](#) If we consent to you relocating the Restaurant, the new Authorized Location must be within the same Designated Market Area (specifically defined in Section 1.3 of the Franchise Agreement) in which the Restaurant was located. You must execute our standard form of general release upon any relocation. You will bear the sole expense of relocating the Restaurant, and we have the right to charge you a reasonable fee for our services in connection with any such relocation.

So long as you are in Good Standing, you will receive a non-exclusive, two (2) mile protected radius (“Protected Radius”) around the Authorized Location. Neither we nor our affiliates will operate or establish, or authorize another franchisee to operate or establish, a Kajiken Restaurant within your Protected Radius. You must not solicit business from customers inside another Kajiken Restaurant franchisee’s protected radius.

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

Except as expressly provided in the Franchise Agreement, you have no right to exclude, control or impose conditions on the location, operation or otherwise, of present or future Kajiken Restaurants, using any of the other brands or Marks that we now, or in the future, may offer, and we may operate or license Kajiken Restaurants or distribution channels of any type, licensed, franchised or company-owned, regardless of their location or proximity to the Premises and whether or not they provide services similar to those that you offer. You do not have the right to acquire additional franchises and/or related

businesses, products and/or services, in which we may be involved, now or in the future.

We expressly reserve all other rights, and can (along with anyone we designate):

(1) own and/or operate any kind of business located anywhere, including other franchises, whether or not using the Marks and system we have licensed to you, except for a Kajiken Restaurant in your protected radius.

(2) develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using the System and/or the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere.

(3) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Kajiken Marks and System). You may be responsible for any reasonable conversion costs.

#### Internet Sales / Alternative Channels of Commerce

We may sell products and services to customers located anywhere, even if such products and services are similar to what we sell to you and what you offer at the Restaurant. We may use the internet or alternative channels of commerce to sell "Kajiken" brand products and services. You may only sell the products and services from your Authorized Location and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by us. We may require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. We retain the right to approve or disapprove of such advertising, in our sole discretion. Any use of social media by you pertaining to the Restaurant must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. We reserve the right to "occupy" any social media websites/pages and be the sole provider of information regarding the Kajiken Restaurant on such websites/pages (e.g., a system-wide Facebook page). At our request, you will promptly modify or remove any online communication pertaining to the Restaurant that does not comply with the Franchise Agreement or the Manual. You are not prohibited from obtaining customers over the Internet provided your Internet presence and content comply with the requirements of the Franchise Agreement.

We do not have to pay you if we exercise any of these options. You do not have any rights of first refusal or rights to acquire additional franchises.

Neither we nor our affiliate operate, franchise, or plan to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those the Kajiken Restaurant will offer, but there is no contractual restriction on our right to do so.

There are currently no minimum sales quotas that apply to you as a Kajiken Franchisee.

You may not relocate the Restaurant to any other location without our prior written consent. If we approve any relocation of the Restaurant, you must de-identify the former location. If you fail to de-identify your former Kajiken Restaurant, you must reimburse and indemnify and hold us harmless from all costs and expenses, including attorney's fees, arising out of your failure to de-identify.

If you are not in compliance with all material terms of the Franchise Agreement and the Manual, and current in all accounts to us and our affiliates, we may reduce, eliminate or otherwise modify your territorial rights, along with whatever other remedies are then available to us, including termination.

### **Area Development Agreement**

You will receive a non-exclusive protected area (the “Designated Territory”) under an Area Development Agreement. The Designated Territory may be defined by zip code boundaries, county boundaries, highways, physical landforms, city or municipality boundaries and other factors we deem appropriate.

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

We and our affiliates retain all rights to engage in any and all activities we deem appropriate whenever and wherever we desire, including the right to:

(1) establish and operate, and allow others to establish and operate, Kajiken Restaurants using the Marks and the System, at any location outside the Designated Territory, on such terms and conditions we deem appropriate;

(2) establish and operate, and allow others to establish and operate, competitive businesses that may offer products and services which are identical or similar to products and services offered by Kajiken Restaurants, under the Marks or other trade names, trademarks, service marks and commercial symbols different from the Marks;

(3) establish, and allow others to establish, other businesses and distribution channels, including, but not limited to, the Internet (excluding Kajiken Restaurants in the Designated Territory), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from the Kajiken Restaurants, and that sell products and/or services that are identical or similar to, and/or competitive with, those that the Kajiken Restaurants customarily sell;

(4) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Kajiken Restaurants, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Designated Territory);

(5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Kajiken Restaurants, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Designated Territory; and

(6) engage in all other activities not expressly prohibited by the Area Development Agreement.


We are not required to pay you if we exercise any of the rights specified above inside your Protected Territory.

You will submit a separate Location Report to us for site approval for each Kajiken Restaurant to be established within your Designated Territory pursuant to your Area Development Agreement. We will approve or disapprove of the site within 30 days after receipt of the Location Report from you. If we approve your proposed site, it will become the Kajiken Restaurant authorized location. Our then-current standards for site selection and protected territories will apply.

We may reduce the number of Kajiken Restaurants to be developed in your Designated Territory if you fail to (i) meet the development schedule under your Area Development Agreement, (ii) fail to comply with any other term or condition of your Area Development Agreement, or (iii) fail to comply with any individual franchise agreement between you and us.

**ITEM 13 TRADEMARKS**

We grant you the right to operate a restaurant under the name “Kajiken.” You may also use other current or future trademarks that we designate to operate the Kajiken Restaurant. By trademark, we mean trade names, trademarks, service marks, and logos used to identify the Restaurant. The following Marks have been registered by our Founder, Kenichi Kaji, on the Principal Register of the United States Patent and Trademark Office.

| Mark  | Registration Number | Registration Date |
|---|---------------------|-------------------|
|  | 5160066             | March 14, 2017    |
| <b>KAJIKEN</b><br>(Word Mark)   | 5151040             | February 28, 2017 |

Affidavits of use and incontestability, and applications for renewal will be filed at the time specified by law.

There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks to you. We have no information regarding any claims of, or agreements with, any third parties relating to the rights to use these trademarks and/or service marks. We have no knowledge of any prior rights or infringing uses that could materially affect your use of the Marks in any state.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor any pending material litigation involving any of the Marks which are relevant to their use in any state. There are no pending interference actions or opposition or cancellation proceedings that significantly limit our rights to use or license the use of the

Marks in any manner material to the System.

The Franchise Agreement does not require us to protect any of the rights which you have with respect to the Marks. We are not obligated to indemnify you against or to reimburse you for any damages for which you may be held liable in any proceeding arising out of the use of the names or Marks or any costs incurred in the defense of any such claim. The Franchise Agreement also permits us to terminate the Franchise Agreement in the event you do not comply with the quality and operating standards set forth in the Franchise Agreement.

Our Founder and owner, Kenichi Kaji, is the sole owner of the Marks, certain proprietary rights and information in connection with the System and the formulae and recipes for the authorized products sold in the Kajiken Restaurants. Mr. Kaji has granted us a non-exclusive right to use the Marks indefinitely in connection with the granting and operation of the Kajiken Restaurant franchises and to grant a non-exclusive license of these rights to you under the Franchise Agreement. You are required under the terms of the Franchise Agreement to acknowledge that you had no part in the creation or development of such proprietary rights and information and that the same constitute trade secrets owned by our Founder or us.

You must use all Marks in compliance with your Franchise Agreement and the Manual. You cannot use the “Kajiken” name or any of the Marks as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You must not establish a website on the Internet using any domain name containing the Marks or any variation thereof without our written consent. We retain the sole right to advertise on the Internet and create a website using the Marks as domain names.

If it becomes advisable, in our sole discretion, for us to modify or discontinue use of any of the Marks, or use one or more additional or substitute Mark, you must comply with our directions to modify or otherwise discontinue the use of such Mark within a reasonable time after notice by us. We will not be obligated to compensate you for any costs it incurs in connection with any such modification or discontinuance.

You cannot seek to register, re-register, assert claim to ownership of, license or allow others to use or otherwise appropriate to itself any of the Marks or any mark or name confusingly similar to them, except insofar as such action inures to our benefit and has our prior written approval. Upon the termination or cancellation of the Franchise Agreement, you must discontinue use of the Marks, remove copies, replicas, reproductions or simulations thereof from the premises and take all necessary steps to assign, transfer, or surrender to us all Marks that you may have used in connection with the Franchise Agreement.

You must immediately notify us of any apparent infringement of or challenge to your use of the mark. Although not obligated to do so, we will take any action deemed appropriate and will control any litigation or proceeding. You must cooperate with any litigation relating to the Marks which we might undertake.

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

### Patents and Copyrights

We do not own any right in or to any patents or copyrights that are material to the franchise. We do, however, claim common law copyright protection for the Manual. You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietary information in the Manual and that you receive in training. There currently are no effective determinations of the Copyright Office (or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. No agreement requires us to protect or defend any copyrights or you in connection with any copyrights.

#### Confidential Manuals

You must conduct business under your Franchise Agreement in the manner specified in the Manual or any other written or oral communication from us. We may revise the Manual from time to time, and you must comply with each new or changed standard. We will lend you a copy of the Manual after you complete our Initial Training Program. You must treat the Manual and the information contained in it, as confidential. You cannot copy these materials or show them to any unauthorized person. The Manual will remain our sole property.

#### Confidential Information

In general, our proprietary information includes “Confidential Information” as defined in Section 12 of the Franchise Agreement, some of which is contained in our Operations Manual, and includes, among other things, all information (current and future) relating to the operation of Kajiken Restaurants and the System, including, among other things, all: (i) manuals, training, techniques, processes, policies, procedures, systems, data and know how regarding the development, marketing, operation of a Kajiken Restaurant; (ii) designs, specifications and information about products and services and (iii) all information regarding customers and suppliers, including any statistical and/or financial information and all lists. We disclose to you Confidential Information needed for the operation of a Kajiken Restaurant, and you may learn additional information during the term of your franchise. We have all rights to the Confidential Information and your only interest in the Confidential Information is the right to use it under your Franchise Agreement.

Both during and after the term of your Franchise Agreement, you must only use the Confidential Information in the operation of the Restaurant pursuant to the terms of the Franchise Agreement; maintain the confidentiality of the Confidential Information; not make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and (iii) follow all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information. (Franchise Agreement, Section 12)

We may require that you and each of your managers and employees execute covenants of confidentiality that they do not disclose any Confidential Information. We have the right to use and authorize others to use all ideas, techniques, methods and processes relating to the Kajiken Restaurant that you or your employees conceive or develop.

You also agree to fully and promptly disclose all ideas, techniques and other similar information relating to the franchise business that are conceived or developed by you and/or your employees. We will have a perpetual right to use, and to authorize others to use, those ideas, etc. without compensation or other obligation.

You must also promptly tell us when you learn about the unauthorized use of this proprietary information. We are not obligated to take any action, but we will respond to your notification of unauthorized use as we think appropriate.

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

The Franchise Agreement requires you (or the Operating Partner, as defined in Item 1 of this disclosure document and Section 17.7 of the Franchise Agreement, if Franchisee is an entity) to apply your best full-time efforts to managing the day-to-day operations of the Restaurant. You (or the Operating Partner) must be actively involved in the start-up operations of the Restaurant and must know how to operate each facet of the business. Although we prefer that the Restaurant be under your direct, “on-premises” supervision, you may appoint a designated manager, who is not required to hold any interest in Franchisee, to operate the Restaurant, as long as such manager has successfully completed the Initial Training Program to our satisfaction.

Upon our request, you will require the following persons to execute confidentiality and non-compete covenants, in a form satisfactory to us, including covenants applicable upon the termination of a person's relationship with you: (1) all supervisory or managerial personnel of yours; (2) all officers, directors, members, partners, general partners, limited partners and holders of a beneficial interest of yours; and (3) the spouse of each such person.

If you are a corporation, partnership or limited liability company, each owner of a 10% or more interest in you and their spouse must personally guarantee your obligations under, and be personally bound by, the Franchise Agreement and all other agreements with us or our affiliates and agree to certain restrictions on their ownership interests. See Exhibit 5 of the Franchise Agreement for our standard form of guarantee.

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

A fundamental requirement of you joining and remaining part of the System will be your commitment to the operation of your Kajiken Restaurant according to then-current System standards. Your Kajiken Restaurant must be constructed, improved and operated only in the manner we authorize.

You must offer and sell only those authorized products (“Authorized Products”) and services and deal only with those suppliers that we authorize or approve. You must inventory, sell or offer for sale all menu items, products and services authorized by us.

In conjunction with the offering of new Authorized Products, we may require you to comply with other requirements, such as training, marketing, equipment or small wares purchases, or insurance, before we will allow you to offer the new products.

You may not advertise, offer for sale or sell, any products and/or services that we have not authorized. We reserve the right to add or change the types of Authorized Products at any time in our discretion. There are no limits on our rights to do so.

Your Kajiken Restaurant is to be used solely for the operation of the business licensed under your Franchise Agreement, and you cannot use or permit the use of your Kajiken Restaurant for any other purpose or activity at any time without our prior written approval. You may only sell and provide products

and services authorized by us from the Authorized Location.

You must refrain from any merchandising, advertising, or promotional practice that is unethical or may be injurious to our business and/or other franchised businesses or to the goodwill associated with the Marks.

We reserve the right to offer products bearing the “Kajiken” brand in Alternative Channels of Distribution. You have no rights to offer products through Alternative Channels of Distribution.

To promote a consistent consumer experience, and to maximize the value of limited advertising expenditures, we may require fixed minimum or maximum prices for any products or services offered by the System and the Restaurant. You are obligated to use the pricing required by us, unless we consent to changes for unique situations or to comply with laws. We have the right to change or eliminate our pricing program in the future, or to move from a required to a recommended pricing structure.

## 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.

| Provision   | Section in Franchise Agreement | Summary  |
|---|--------------------------------|--|
| a. Length of the franchise term                   | Section 3.1                    | Term is 10 years.  |
| b. Renewal or extension of term                   | Section 3.2                    | If you are in good standing, you can renew for one additional 10-year term.  |
| c. Requirements for franchisee to renew or extend | Sections 3.2, 3.3, 3.4         | Meet renewal criteria, sign new franchise agreement, be in Good Standing under all agreements, no history of default, sign a general release, and remodel. We do not charge you a fee to renew. You may be required to sign a franchise agreement with materially different terms and conditions than those in your previous franchise agreement(s). If applicable law requires, we will give you additional notice. |
| d. Termination by franchisee                      | Section 15.1                   | <del>Only if we are in default. You must give us notice and an opportunity to cure any such default. These provisions are</del><br><u>You may terminate the Franchise Agreement for cause if you are in compliance and we materially breach the Franchise Agreement and fail to cure within 30 calendar days of receiving your written notice</u> (subject to applicable   |

| Provision                                  | Section in Franchise Agreement | Summary  |
|--|--------------------------------|--|
|  |                                | state law.)  |
| e. Termination by franchisor without cause | Not applicable                 | Not applicable.  |
| f. Termination by franchisor with cause    | Sections 15.2 and 15.3         | Material breach of the Franchise Agreement or other agreements, intentional, repeated defaults and others. A default by you under the terms and conditions of the Franchise Agreement, Area Development Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements. <a href="#">These provisions are subject to applicable state law.</a> |

| Provision  | Section in Franchise Agreement | Summary  |
|--|--------------------------------|--|
| g. <b>“Cause”</b> defined – curable defaults     | Section 15.2 B.                | You have 30 days to cure non-payment of fees (except as described below), failure to obtain our written approval or consent, acts that affect the goodwill associated with the Marks, failure to comply with any provision of the franchise agreement, failure to maintain books and records or comply with audit or inspection, failure to directly supervise day to day shop operations, failure of you or your managers to complete initial training, failure to maintain insurance, failure to obtain executed confidentiality and non-compete agreements, offer of unapproved goods or services, non-submission of reports and continued violations of laws regarding operating of your franchised location, and others. You have 10 days from notice to cure delinquent payment of any amount owed us or our affiliates, or obtain adequate financing to cover development, opening and operation of the Restaurant, failure to pay any amounts when due for construction, leasing, financing, operations or supply of the Restaurant, closure of bank account without notice to us. A default by you under the terms and conditions of the Franchise Agreement, Area Development Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements. <a href="#">These provisions are subject to applicable state law.</a> |
| h. <b>“Cause”</b> defined – non-curable defaults | Section 15.2 A.                | Non-curable defaults: bankruptcy, insolvency or appointment of receiver or custodian, material misrepresentation or omission in applying for the franchise, unauthorized direct or indirect transfer, falsification of financial reports or records, abandonment of franchise or loss of lease, conviction or plead no contest to a felony, violation of any health or safety law, ordinance or regulation, or operation of the business in a manner presenting a health or safety hazard, failure to obtain suitable location and open for business within 12 months after signing franchise agreement, failure to comply with  |

| Provision   | Section in Franchise Agreement | Summary   |
|---|--------------------------------|---|
|   |                                | non-compete covenants, misuse of the Marks, System or other Confidential Information, and repeated defaults even if cured. A default by you under the terms and conditions of the Franchise Agreement, Area Development Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements. <a href="#">These provisions are subject to applicable state law.</a>  |
| i. Franchisee’s obligation on termination/non-renewal | Sections 15.6, 12 and 13       | Obligations include complete de-identification, transfer phone numbers, cease use of Marks, cancel assumed names, assignment of any leasehold interest, certain obligations continue, including non-competition and confidentiality provisions, payment of amounts due and, in certain instances, payment of a “Termination Fee”.   |
| j. Assignment of contract by franchisor               | Section 14.7                   | No restriction on our right to assign.  |
| k. “Transfer” by franchisee definition                | Section 14.1                   | Includes transfer of contract, assets or ownership change.  |
| l. Franchisor approval of transfer by franchisee      | Section 14.1                   | We have the right to approve all transfers but will not unreasonably withhold approval under certain conditions.  |
| m. Conditions for franchisor approval of transfer     | Section 14.3                   | Information regarding prospective Transferee is provided to us. We have not exercised our right of first refusal. New franchisee qualifies, completes initial training, transfer fee and training fees paid, all sums owed have been paid, be in good standing, general release ( <a href="#">subject to applicable state law</a> ), confidentiality and non-compete agreements signed by you and all shareholders, members and partners, if required, transfer of sublease, personal guarantee by transferee, upgrade, refurbish or repair the premises to conform to our then current standards, and current agreements signed by new franchisee (also, see “n” below), and others. Additional obligations apply to transfer to a corporation or limited liability company. |

| Provision   | Section in Franchise Agreement | Summary   |
|---|--------------------------------|---|
| n. Franchisor's right of first refusal to acquire franchisee's business   | Section 14.2                   | We have a right of first refusal on any proposed transfer, upon the same terms and conditions offered by the proposed transferee.   |
| o. Franchisor's option to purchase franchisee's business                  | Section 15.6 E.                | <del>We</del> <u>If your Franchise Agreement is terminated by us, we</u> have the option, exercisable by giving 30 days written notice to purchase any and all inventory, equipment, furniture, fixtures, signs, sundries and supplies owned by you and used in the Restaurant, at the lesser of (i) your cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs) or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Restaurant. In addition, we have the option to assume your lease for the lease location of the Restaurant, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as your lease. <u>These provisions are subject to applicable state law.</u> |
| p. Death or disability of franchisee                                      | Section 14.5                   | If no heir or other principal person capable of operating the Restaurant, we shall have the right, but not the obligation, to immediately appoint a manager and commence operating the Restaurant on your behalf, and be paid all reasonable costs and expenses for such management assistance, including without limitation, the manager's salary, room and board, travel expenses and all other related expenses.   |
| q. Non-competition covenants during the term of the franchise             | Sections 13.1, 13.2            | No involvement in Competing Business (as defined in the Franchise Agreement). These provisions are subject to applicable state law.   |
| r. Non-competition covenants after the franchise is terminated or expires | Section 13.1                   | For two (2) years after the expiration, termination, non-renewal or assignment, no involvement in a Competing Business anywhere within a 5-mile radius of any Kajiken Restaurant whether franchised or owned by us or any of our affiliates. These  |

| Provision   | Section in Franchise Agreement | Summary   |
|---|--------------------------------|---|
|   |                                | provisions are subject to applicable state law.   |
| s. Modification of the Franchise Agreement        | Article 19                     | Only by a written agreement signed by both parties.   |
| t. Integration/merger clause                      | Article 19                     | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.  |
| u. Dispute resolution by arbitration or mediation | Article 16                     | Disputes/claims are first subject to a face-to-face meeting, then non-binding mediation, and if unresolved, binding arbitration before a single arbitrator in <del>San Diego County, California</del> <u>the county where our then-current headquarters is located</u> . These provisions are subject to state law. |
| v. Choice of forum                                | Section 16.2                   | Franchisee submits to jurisdiction in any state or federal court in California, in the district where our principal place of business is located in connection with matters not subject to arbitration (subject to applicable state law.)   |
| w. Choice of law                                  | Section 16.3                   | California law applies (subject to applicable state law.)   |

#### AREA DEVELOPMENT AGREEMENT

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

| PROVISION   | SECTION IN AREA DEVELOPMENT AGREEMENT | SUMMARY  |
|---|---------------------------------------|--|
| a. Length of the term of the Area Development Agreement | Section V                             | The rights granted under the Area Development Agreement expire on the date of our acceptance and signing of a Franchise Agreement for the last Kajiken Restaurant to be developed. |
| b. Renewal or extension of the term                     | Not Applicable                        | Not Applicable   |
| c. Requirements for developer                           | Not Applicable                        | Not Applicable   |

| PROVISION                                  | SECTION IN AREA DEVELOPMENT AGREEMENT | SUMMARY  |
|--|---------------------------------------|--|
| to renew or extend                         |                                       |  |
| d. Termination by developer                | <del>Not Applicable</del> None        | The Area Development Agreement does not contain a provision allowing you to terminate the Area Development Agreement for any reason. Your right to terminate is subject to state law. <a href="#">You may terminate the agreement under any ground permitted by applicable state law.</a>  |
| e. Termination by franchisor without cause | Not Applicable                        | The Area Development Agreement does not provide for termination without cause.   |
| f. Termination by franchisor with cause    | Section VIII                          | If you are in default of the Area Development Agreement or any individual Franchise Agreement, we will have cause to terminate the Area Development Agreement. <a href="#">If we terminate the Area Development Agreement, we may also terminate your individual Franchise Agreement(s).</a> A default by you under the terms and conditions of the Area Development Agreement, the Franchise Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements. <a href="#">These provisions are subject to applicable state law.</a>   |
| g. "Cause" defined – curable defaults      | Not Applicable                        | The Area Development Agreement does not provide for defaults which can be cured. <a href="#">(Subject to applicable state law.)</a>  |
| h. "Cause" defined – non-curable defaults  | Section VIII                          | The Area Development Agreement will terminate automatically if you are adjudicated bankrupt or are otherwise involved in a bankruptcy proceeding, if a final judgment remains unsatisfied of record for 30 days or longer (unless bond is filed), if execution is levied against your business or property, if a mortgage or lien foreclosure suit is instituted against you and is not dismissed or in the process of being dismissed within 30 days, if you have failed to exercise options and enter into Franchise Agreements with us according to your Development Schedule, failed to comply with any other term or condition of the Area Development Agreement, make or attempt to make an unapproved transfer or |

| PROVISION   | SECTION IN AREA DEVELOPMENT AGREEMENT | SUMMARY  |
|---|---------------------------------------|--|
|   |                                       | assignment of the Area Development Agreement, or if you fail to comply with the terms and conditions of any Franchise Agreement or other agreement between you and us. A default by you under the terms and conditions of the Area Development Agreement, the Franchise Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements. <a href="#">If we terminate the Area Development Agreement, we may also terminate your individual Franchise Agreement(s). These provisions are subject to applicable state law.</a> |
| i. Developer’s obligations on termination/non-renewal | Section VIII(d)                       | You will lose your options to establish an individual Kajiken Restaurant for which a Franchise Agreement has not been signed by us. A default under the Area Development Agreement will not be considered a default under the Franchise Agreement, unless specified otherwise. If you are in default of the Area Development Agreement but are not in default under any one or all of your Franchise Agreements, you may continue to operate the existing Kajiken Restaurant(s) under the terms of their separate Franchise Agreements.                                  |
| j. Assignment of contract by franchisor               | Paragraph IX(a)                       | No restriction on our right to assign.   |
| k. “Transfer” by developer – defined                  | Section IX(c)                         | Includes transfer of assets and all rights under the contract or change of ownership.  |
| l. Franchisor approval of transfer by developer       | Section IX(c)                         | We have the right to approve all transfers by you but will not unreasonably withhold approval.   |
| m. Conditions for franchisor approval of transfer     | Sections IX(c)                        | For a transfer to a third party, the transferee must meet our qualifications, successfully complete the training program and sign the current Area Development Agreement. You will pay all sums owed to us and sign an agreement containing general release <a href="#">(subject to applicable state law)</a> , as well as pay our then-current transfer fee. You must give us 90 days written notice before any sale  |

| PROVISION  | SECTION IN AREA DEVELOPMENT AGREEMENT | SUMMARY   |
|--|---------------------------------------|---|
|  |                                       | or assignment of the Area Development Agreement and 15 days written notice of any received offer to buy your interest in the Area Development Agreement. You must give simultaneous written notice to us of any offer to sell an interest under the Area Development Agreement made by you.   |
| n. Franchisor's right of first refusal to acquire developer's business | Section IX(e)                         | We have the right of first refusal to purchase your ownership interest or assets which are for sale and for which you have received a good faith offer to purchase.   |
| o. Franchisor's option to purchase developer's business                | Section IX(e)                         | We have 15 days from notice of the offer to purchase your ownership interest or your assets at the same terms as contained in the offer.  |
| p. Death or disability of developer                                    | Not Applicable                        | See rows k., l. and m. above. While your death or disability is not specifically addressed in the Area Development Agreement, a transfer of shares upon the death of an owner of the area developer (or a transfer of the agreement upon your death if you are an individual) would be treated the same as any other transfer.  |
| q. Non-competition covenants during the term of the franchise          | Section X                             | You must not divert or attempt to divert any business or customer to a competitor; perform any act which may harm the goodwill associated with the Marks and the System; or own or otherwise have more than 5% interest in any "competitive business." You will also be bound by and comply with the covenants in each Franchise Agreement you sign with us. The covenants apply even if you have transferred your interest in the Area Development Agreement. The term "Competitive Business" means any business (other than a Kajiken Restaurant) principally offering products substantially similar to the products and services than being offered by the majority of the Kajiken Restaurants. These provisions are subject to applicable state law. |
| r. Non-competition covenants   | Section X(b)                          | You must not own or operate a Competitive   |

| PROVISION   | SECTION IN AREA DEVELOPMENT AGREEMENT | SUMMARY  |
|---|---------------------------------------|--|
| after the franchise is terminated or expires      |                                       | Business for 2 years after the Area Development Agreement is terminated within the Designated Territory or within a 5-mile radius of any Kajiken Restaurant. You will also be bound by and comply with the covenants in each Franchise Agreement signed with us. The covenants apply even if you have transferred your interest in the Area Development Agreement. These provisions are subject to applicable state law. |
| s. Modification of the agreement                  | Section XVI                           | The Area Development Agreement can be modified only by written agreement between us and you.   |
| t. Integration/merger clause                      | Section XVI                           | Only the terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside the Disclosure Document, Franchise Agreement, and Area Development Agreement may not be enforceable.   |
| u. Dispute resolution by arbitration or mediation | Section XIX                           | Disputes/claims are first subject to a face-to-face meeting, then non-binding mediation, and if unresolved, binding arbitration before a single arbitrator in the county where our then-current headquarters is located. These provisions are subject to state law.  |
| v. Choice of forum                                | Section XIX(b)                        | Any action will be brought in the appropriate state or federal court nearest to our then current principal place of business (subject to applicable state law.)  |
| w. Choice of law                                  | Section XIX(g)                        | California law applies (subject to applicable state law.)  |

Applicable state law may require additional disclosures related to the information in this disclosure document. These additional disclosures appear in **Exhibit G, State Specific Addenda**, to this disclosure document.

**ITEM 18 PUBLIC FIGURES**

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

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of the outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Timothy Lu, at Kajiken International, Inc., ~~3760 Convoy Street, Suite 219~~112 B St., San ~~Diego~~Mateo, California ~~92111, (415) 800-2883~~94401, (650) 458-3061, the Federal Trade Commission and any appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1  
SYSTEMWIDE OUTLET SUMMARY  
FOR YEARS ~~2020~~2021 TO ~~2022~~2023

| OUTLET TYPE   | YEAR                        | OUTLETS AT THE START OF THE YEAR | OUTLETS AT THE END OF THE YEAR | NET CHANGE |
|---------------|-----------------------------|----------------------------------|--------------------------------|------------|
| Franchised    | <del>2020</del> <u>2021</u> | 0                                | 0                              | 0          |
|               | <del>2021</del>             | 0                                | 0                              | 0          |
|               | 2022                        | 0                                | 1                              | +1         |
|               | <u>2023</u>                 | <u>1</u>                         | <u>3</u>                       | <u>+2</u>  |
| Company-Owned | <del>2020</del> <u>2021</u> | 0                                | 0                              | 0          |
|               | <del>2021</del> <u>2022</u> | 0                                | 0                              | 0          |
|               | <del>2022</del> <u>2023</u> | 0                                | 0                              | 0          |
| Total Outlets | <del>2020</del> <u>2021</u> | 0                                | 0                              | 0          |
|               | <del>2021</del>             | 0                                | 0                              | 0          |
|               | 2022                        | 0                                | 1                              | +1         |
|               | <u>2023</u>                 | <u>1</u>                         | <u>3</u>                       | <u>+2</u>  |

**TABLE 2**  
**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR)**  
**FOR THE YEARS ~~2020~~2021 TO ~~2022~~2023**

| STATE           | YEAR                        | NUMBER OF TRANSFERS |
|-----------------|-----------------------------|---------------------|
| California      | <del>2020</del> <u>2021</u> | 0                   |
|                 | <u>2022</u>                 | <u>0</u>            |
|                 | <u>2023</u>                 | <u>0</u>            |
| <u>Illinois</u> | 2021                        | 0                   |
|                 | 2022                        | 0                   |
|                 | <u>2023</u>                 | <u>0</u>            |
| Maryland        | <del>2020</del> <u>2021</u> | 0                   |
|                 | <del>2021</del>             | <del>0</del>        |
|                 | 2022                        | 0                   |
|                 | <u>2023</u>                 | <u>0</u>            |
| Total Outlets   | <del>2020</del> <u>2021</u> | 0                   |
|                 | <del>2021</del>             | <del>0</del>        |
|                 | 2022                        | 0                   |
|                 | <u>2023</u>                 | <u>0</u>            |

**TABLE 3**  
**STATUS OF SINGLE UNIT FRANCHISE OUTLETS**  
**FOR YEARS ~~2020~~2021 TO ~~2022~~2023**

| STATE               | YEAR                           | OUTLETS AT START OF YEAR | OUTLETS OPENED        | TERMINATIONS | NON-RENEWALS | REACQUIRED BY FRANCHISOR | CEASED OPERATIONS- OTHER REASONS | OUTLETS AT END OF THE YEAR |
|---------------------|--------------------------------|--------------------------|-----------------------|--------------|--------------|--------------------------|----------------------------------|----------------------------|
| California          | <del>2020</del><br><u>2021</u> | 0                        | 0                     | 0            | 0            | 0                        | 0                                | 0                          |
|                     | <u>2022</u>                    | <u>0</u>                 | <u>0</u>              | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                         | <u>0</u>                   |
|                     | <u>2023</u>                    | <u>0</u>                 | <u>1</u>              | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                         | <u>1</u>                   |
| <u>Illinois</u>     | 2021                           | 0                        | 0                     | 0            | 0            | 0                        | 0                                | 0                          |
|                     | 2022                           | 0                        | 0                     | 0            | 0            | 0                        | 0                                | 0*                         |
| <del>Maryland</del> | <del>2020</del><br><u>2023</u> | 0                        | <del>0</del> <u>1</u> | 0            | 0            | 0                        | 0                                | <del>0</del> <u>1</u>      |
| <u>Maryland</u>     | 2021                           | 0                        | 0                     | 0            | 0            | 0                        | 0                                | 0                          |
|                     | 2022                           | 0                        | 1                     | 0            | 0            | 0                        | 0                                | 1                          |
| <b>Total</b>        | <del>2020</del><br><u>2023</u> | <del>0</del> <u>1</u>    | 0                     | 0            | 0            | 0                        | 0                                | <del>0</del> <u>1</u>      |
| <u>Total</u>        | 2021                           | 0                        | 0                     | 0            | 0            | 0                        | 0                                | 0                          |
|                     | 2022                           | 0                        | 1                     | 0            | 0            | 0                        | 0                                | 1                          |
|                     | <u>2023</u>                    | <u>1</u>                 | <u>2</u>              | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                         | <u>3</u>                   |

\* We had one (1) franchised outlet open in California after the close of our fiscal year 2022 but prior to the Issuance Date of this disclosure document.

**TABLE 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR YEARS ~~2020~~2021 TO ~~2022~~2023**

| STATE            | YEAR  | OUTLETS AT START OF YEAR | OUTLETS OPENED | OUTLETS REACQUIRED FROM FRANCHISEE | OUTLETS CLOSED | OUTLETS SOLD TO FRANCHISEE | OUTLETS AT END OF THE YEAR |
|------------------|---|--------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| <del>None</del>  | <del>2020</del>                                       | <del>0</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>0</del>               |
| <u>None</u>      | 2021  | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|                  | 2022  | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
| <del>Total</del> | <del>2020</del><br><del>2021</del><br><del>2022</del> | <del>0</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>0</del>               |
| <u>Total</u>     | 2021  | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|                  | 2022  | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|                  | <u>2023</u>   | <u>0</u>                 | <u>0</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>0</u>                   |

**TABLE 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, ~~2022~~2023**

| STATE                                 | FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED | PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR | PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR |
|---------------------------------------|--|--|---|
| <del>California</del> <u>New York</u> | 1  | <del>1</del> <u>2</u>                                    | 0   |
| <del>District of Columbia</del>       | <del>0</del>                                       | <del>0</del>   | <del>1</del>  |
| <del>Illinois</del> <u>Washington</u> | 0  | 1  | 0   |
| Total                                 | 1  | <del>2</del> <u>3</u>                                    | <del>1</del> <u>0</u>                                       |

A list of the names, addresses and telephone numbers of our current franchisees as of the Issuance Date of this Disclosure Document is attached as **Exhibit I**.

A list of the names, addresses and telephone numbers of our franchisees who have had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this franchise disclosure document, is attached as **Exhibit J**. If you buy the franchise offered in this Disclosure Document, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Disclosure Document.

During the last three years, none of our franchisees have signed any confidentiality agreements or clauses that restrict their ability to speak openly about their experience with the Kajiken Restaurant Franchise System.



## ITEM 21 FINANCIAL STATEMENTS

Attached to this disclosure document, as **Exhibit C**, are the audited financial statements for our fiscal years ended December 31, ~~2022~~2023, December 31, ~~2021~~2022, and December 31, ~~2020~~2021, and our unaudited financial statements for the ~~six-month~~ period ended June 30, ~~2023~~2024.

## ITEM 22 CONTRACTS

The following agreements are attached to this Disclosure Document:

|           |   |
|-----------|---|
| Exhibit B | Franchise Agreement and Exhibits                        |
|           | Exhibit 1 The Authorized Location Addendum              |
|           | Exhibit 2 Guarantee, Indemnification, Acknowledgment    |
|           | Exhibit 3 Lease Addendum                                |
|           | Exhibit 4 Confidentiality and Non-Competition Agreement |
|           | Exhibit 5 ADA Certification Form                        |
| Exhibit D | State-Specific Addenda                                  |
| Exhibit E | Statement of Prospective Franchisee                     |
| Exhibit G | Form of General Release                                 |
| Exhibit J | Area Development Agreement                              |

## ITEM 23 RECEIPTS

Our and your copies of the Disclosure Document Receipt are located on the last two pages of this Disclosure Document.

**EXHIBIT A  
TO FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

**CALIFORNIA**

Commissioner of Financial Protection and Innovation  
2101 Arena Boulevard  
Sacramento, CA 95834  
Tel: (415) 972-8559  
Fax: (415) 972-8590  
Toll Free: (866) 275-2677  
Website: <https://dfpi.ca.gov>  
Email: Ask.DFPI@dfpi.ca.gov

**CONNECTICUT**

Department of Banking  
Securities and Business Investments Division  
260 Constitution Plaza  
Hartford, Connecticut 06103-1800  
Tel: (860) 240-8230

**FLORIDA**

Tom Kenny, Regulatory Consultant  
Department of Agriculture & Consumer Services  
Division of Consumer Services  
P.O. Box 6700  
Tallahassee, Florida 32314  
Tel: (850) 488-2221  
Fax: (850) 410-3804

**HAWAII**

(for service of process)  
Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

(state agency)  
Department of Commerce &  
Consumer Affairs  
King Kalakaua Building  
335 Merchant Street, Rm 203  
Honolulu, Hawaii 96813  
Tel: (808)586-2722  
Fax: (808) 587-7559

**ILLINOIS**

Franchise Bureau  
Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

**INDIANA**

(for service of process)  
Indiana Secretary of State  
201 State House  
Indianapolis, Indiana 46204

(state agency)  
Securities Commissioner  
Indiana Secretary of State  
Securities Division, Franchise Section  
302 West Washington Street,  
Room E-111  
Indianapolis, Indiana 46204  
Tel: (317) 232-6681

**IOWA**

Dennis Britson  
Director of Regulated Industries Unit  
Iowa Securities Bureau  
340 Maple  
Des Moines, Iowa 50319-0066  
Tel: (515) 281-4441  
Fax: (515) 281-3059  
email: [iowasec@iid.state.ia.us](mailto:iowasec@iid.state.ia.us)

**MARYLAND**

(for service of process)  
Maryland Securities Commissioner  
Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

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

**MICHIGAN**

(for service of process)  
Michigan Department of Consumer and Industry Services  
Bureau of Commercial Services  
Corporations Division  
PO Box 30054  
Lansing, Michigan 48909  
Tel: (517) 241-6470

**MICHIGAN**

(state agency)  
Department of the Attorney General  
Consumer Protection Division  
Antitrust and Franchise Section  
670 Law Building  
Lansing, MI 48913  
Tel: (517) 373-7117

**MINNESOTA**

Minnesota Commissioner of Commerce  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101-2198  
Tel: (651) 539-1600

**NEBRASKA**

Gene Schenkelberg, Securities Analyst  
Department of Banking & Finance  
1200 N. Street, Suite 311  
P.O. Box 95006  
Lincoln, Nebraska 68509  
Tel: (402) 417-3445

**NEW YORK**

(Agent for Service of Process)  
Secretary of State  
99 Washington Avenue  
Albany, NY 12231-0001

(Administrator)

NYS Department of Law  
Investor Protection Bureau  
28 Liberty St., 21<sup>st</sup> Floor  
New York, NY 10005  
Tel: (212) 416-8222

**NORTH DAKOTA**

(for service of process)  
North Dakota Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard, 5th Floor  
Bismarck, North Dakota 58505-0510

(state agency)

North Dakota Securities Department  
600 East Boulevard, 5th Floor  
Bismarck, North Dakota 58505-0510  
Tel: (701) 328-2910

**OREGON**

Director, Department of Consumer &  
Business Services  
Division of Finance & Corporate Securities  
Labor and Industries Building  
Salem, Oregon 97310  
Tel: (503) 378-4140  
Fax: (503) 947-7862  
Email: dcbs.dfcsmail@state.or.us

**RHODE ISLAND**

Director  
Securities Division  
Department of Business Regulation,  
Building 69, First Floor  
John O. Pastore Center  
1511 Pontiac Avenue,  
Cranston, Rhode Island 02920  
Tel: (401) 462 9582

**SOUTH DAKOTA**

Director, Department of Labor and  
Regulation  
Division of Insurance  
Securities Regulation  
124 South Euclid, Suite 104  
Pierre, South Dakota 57501  
Tel: (605) 773-3563

*(continued on next page)*

**TEXAS**

Statutory Document Section  
Secretary of State  
1719 Brazos  
Austin, Texas 78701  
Attn: Dorothy Wilson  
Tel: (512) 475-1769

**UTAH**

Director, Division of Consumer Protection  
Utah Dept. of Commerce  
160 East Three Hundred South  
SM Box 146704  
Salt Lake City, Utah 84114-6704  
Tel: (801) 530-6601  
Fax: (801) 530-6001

**VIRGINIA**

(for service of process)  
Clerk of the State Corporation Commission  
1300 East Main Street, 1st Floor  
Richmond, Virginia 23219

(state agency)  
Director  
State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219  
Tel: (804) 371-9051

**WASHINGTON**

(for service of process)  
Administrator  
Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

**WASHINGTON**

(state agency)  
Administrator  
Department of Financial Institutions  
Securities Division  
P.O. Box ~~9033~~[41200](mailto:41200@dcf.wa.gov)  
Olympia, Washington ~~98507-9033~~[98504-1200](mailto:98504-1200@dcf.wa.gov)  
Tel: (360) 902-8760  
Fax: (360) 902-0524

**WISCONSIN**

Commissioner of Securities  
Department of Financial Institutions  
P.O. Box 1768  
Madison, Wisconsin 53701-1768  
Tel: (608) 266-2801

**EXHIBIT B**  
**TO FRANCHISE DISCLOSURE DOCUMENT**  
**KAJIKEN RESTAURANT FRANCHISE AGREEMENT**

**KAJIKEN RESTAURANT  
FRANCHISE AGREEMENT**

**KAJIKEN RESTAURANT FRANCHISE AGREEMENT  
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**EXHIBITS**

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- EXHIBIT 2 GUARANTEE, INDEMNIFICATION, ACKNOWLEDGMENT
- EXHIBIT 3 LEASE ADDENDUM
- EXHIBIT 4 CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
- EXHIBIT 5 ADA CERTIFICATION FORM

## KAJIKEN RESTAURANT FRANCHISE AGREEMENT

This Kajiken Restaurant Franchise Agreement (this "Agreement") is entered into as of the \_\_\_ day of \_\_\_\_\_ 20\_\_\_, between Kajiken International, Inc., a California corporation, doing business as "Kajiken" ("Franchisor") and \_\_\_\_\_, or his/her/their assignee, if a partnership, corporation or limited liability company is later formed (collectively, "Franchisee"), upon the following terms, conditions, covenants and agreements:

### INTRODUCTION

A. Franchisor's founder, Kenichi Kaji, owns and has developed and administers a system, including various business techniques and methods, trade secrets (including recipes), copyrights (possibly patentable ideas), ingredient lists, confidential and proprietary information and other intellectual property rights (collectively, the "System") for the establishment and operation of casual-dining Japanese restaurants offering a variety of ramen (Japanese-style noodle) dishes and bowls, various appetizers, and other food, beverages, and related products ("Kajiken Restaurants") identified by the "Kajiken" trade name, logo and other trademarks and service marks and related trade dress, as licensed hereunder (the "Marks").

B. The System includes the Marks and trade secrets, proprietary methods and information and procedures for the establishment and operation of a Kajiken Restaurant, including, without limitation, confidential operations manuals (collectively, the "Manual"), recipes, ingredients, menu specifications, marketing, advertising and sales promotions, equipment, furniture and fixtures, cost controls, accounting and reporting procedures, personnel management, training methods, distinctive interior design and display procedures, and color scheme and decor.

C. Franchisee desires to obtain a license to use the System and Marks in the development and operation of a Kajiken Restaurant at the location specified in this Agreement (the "Restaurant").

D. Franchisor is entering into this Agreement in reliance upon the representations of Franchisee as to itself and to the person(s) who will participate in the ownership and management of the Restaurant.

~~E. Franchisee has independently investigated the business contemplated by this Agreement and recognizes that the nature of the business may change over time, that an investment in a Kajiken Restaurant involves business risks, and that the venture's success depends primarily upon Franchisee's business abilities and efforts.~~

~~F. Franchisee acknowledges having received a copy of Franchisor's Franchise Disclosure Document and having had an adequate opportunity to investigate the business contemplated by this Agreement and to discuss the terms and conditions of this Agreement with financial and legal advisors of Franchisee's choosing at least fourteen (14) days prior to signing. Franchisee confirms that it is not relying upon any representation as to profits and/or sales volume that Franchisee may achieve nor upon any representations or promises by Franchisor that are not contained in this Agreement.~~

NOW, THEREFORE, in consideration of the premises and of the considerations set below, the parties agree as follows:

## 1. GRANT OF LICENSE; LOCATION

1.1 **Grant.** Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee the non-exclusive right and license to:

A. Establish and operate a single Kajiken Restaurant, utilizing only the System and Marks, at a location that has been authorized by Franchisor (the “Authorized Location”), in accordance with the provisions and for the term specified in this Agreement;

B. Use the Marks in accordance with the terms of this Agreement to identify and promote the Restaurant offered hereunder; and

C. Use the proprietary business methods and know-how, as set forth periodically in the Manual, other manuals, training programs, or otherwise communicated to Franchisee by Franchisor.

1.2 **Site Approval Process.** Before Franchisor considers approving a location for the Restaurant, Franchisee must submit to Franchisor a complete report containing all information Franchisor may reasonably request concerning the proposed location, including, without limitation, population density, demographics, proximity to other Kajiken Restaurants, available parking, traffic flow and entrance to and exit from the site (the “Location Report”). Franchisor shall deliver to Franchisee written approval or disapproval of a proposed location within 30 days after Franchisor receives the Location Report. Franchisor’s approval of the proposed site shall be deemed to be a binding addendum to this Agreement upon Franchisor and Franchisee’s execution of Exhibit 1, which is attached hereto and incorporated herein by reference, and which will set forth the Authorized Location. Franchisor agrees not to unreasonably withhold approval of a site that meets its site criteria. Franchisee acknowledges that Franchisor’s approval of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. While Franchisor will provide site selection assistance as specified in Section 6.1 herein, Franchisee alone is ultimately responsible for selecting and developing an acceptable location for the Restaurant. Franchisee agrees to hold Franchisor harmless with respect to the selection of the Authorized Location by Franchisee. Franchisee must obtain lawful possession of an Authorized Location by lease, purchase or other method and open for regular, continuous business within twelve (12) months of the date that Franchisor accepts this Agreement. The opening date may be extended an additional ~~three~~six (~~3~~6) months, at Franchisor’s sole discretion, to assist Franchisee in selecting a site that meets Franchisor’s site criteria. Franchisor has the right to terminate this Agreement if Franchisee fails to select a site for the Restaurant that meets Franchisor’s approval, within the time period allotted above.

1.3 **Authorized Location & Protected Radius.**

A. If the Authorized Location has not been identified at the time this Agreement is signed, Franchisee must identify a site approved by Franchisor within the following Designated Market Area: \_\_\_\_\_ . Once the Authorized Location for the Restaurant has been identified in the Authorized Location Addendum, attached hereto as Exhibit 1, Franchisor agrees that, so long as Franchisee is in Good Standing (as defined in Section 8.7), neither it nor its affiliates will operate or establish, or authorize another Kajiken Restaurant franchisee to operate or establish, a Kajiken Restaurant using the System or Marks within a two (2) mile radius (“Protected Radius”) around the Authorized Location (as measured from the outside walls of the Restaurant). Franchisee will not receive an exclusive territory.

B. Permitted Encroachment of Protected Radius. Franchisee acknowledges and understands that the System's use of third-party delivery service providers may result in another franchisee delivering products and/or services within Franchisee's Protected Radius due to the Kajiken Restaurant that the customer or the third-party delivery service provider elects to use to fulfill and deliver a customer's online order. As such, Franchisee expressly agrees that if a franchisee fulfills an online order placed by a customer situated within Franchisee's Protected Radius, then the fulfillment and delivery of that order by another franchisee will not be a violation of Franchisee's territorial protections granted under this Agreement.

#### 1.4 Rights Reserved to Franchisor.

A. Except for the right to operate a single Kajiken Restaurant from the Authorized Location, Franchisee is not granted any rights to use the System and Marks in connection with any other channel of commerce or method of distribution, including, without limitation, distribution of products or services through any temporary or mobile facility, sales through retail stores, supermarkets, grocery stores, or convenience stores, sales made at wholesale, or sales via the Internet (collectively, the "Alternative Channels of Distribution"), all such rights being retained by Franchisor.

B. Franchisor reserves all rights not expressly granted to Franchisee under this Agreement, and specifically reserves the rights to operate, or to license others to operate:

(i) any kind of business, except a Kajiken Restaurant, in any Protected Radius awarded to Franchisee providing services or selling products to customers located anywhere, whether or not using the "Kajiken" brand and System in Franchisee's Protected Radius; and

(ii) any kind of business anywhere outside of any Protected Radius awarded to Franchisee selling to customers located anywhere, whether or not using the "Kajiken" brand and System, including without limitation, Kajiken Restaurants.

C. If Franchisor chooses to grant Franchisee rights relating to an "Alternative Channel of Distribution," Franchisee shall have no protected area whatsoever with respect to such Alternative Channel of Distribution, unless a mutually executed special addendum to this Agreement specifies a protected area for an Alternative Channel of Distribution. Such a protected area, if any, shall be determined by Franchisor in its sole discretion.

D. Notwithstanding anything to the contrary in this Agreement or otherwise, Franchisor and/or any of Franchisor's affiliates can acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, and including arrangements in which (i) other units are (or are not) converted to the Kajiken brand or other format (including using the System and/or Marks) and/or (ii) Franchisor and/or any of Franchisor's affiliates are acquired, and/or company-owned, franchised or other businesses are converted to another format, maintained under the System or otherwise. All Kajiken Restaurants owned by Franchisee will fully participate in any such conversion at Franchisee's expense, which shall not exceed \$25,000. Franchisee shall have a period of twelve (12) months to complete the conversion.

E. Franchisee acknowledges and agrees that if the System is converted to a different format or brand name, Franchisor may immediately commence to promote and market the new format and/or brand name. Franchisor may direct that funds from the Marketing Fund, as described in Paragraph 9.3,

be used likewise, even though Franchisee defers the conversion of its Restaurant to the new format and/or brand name, and Franchisee shall be obligated to continue to make contributions to the Marketing Fund.

## 2. ACCEPTANCE BY FRANCHISEE

2.1 **Acceptance by Franchisee.** Franchisee accepts this Agreement and the license granted herein and agrees to develop and operate the Restaurant on the terms and conditions specified herein. Franchisee agrees to operate the Restaurant for the entire Term of this Agreement, unless Franchisee receives Franchisor's prior written approval to transfer its interest in the franchise pursuant to Section 14 of this Agreement, or unless the lease for the Authorized Location is terminated at no fault of Franchisee and Franchisee cannot find an alternative location to operate the franchise that is acceptable to Franchisor. Franchisee agrees to follow the System requirements relative to all of its operations, including, without limitation, its facilities, staff, advertising, operations and all other aspects of Franchisor's business and the System now in effect and as changed periodically. Franchisee and its designated manager(s) must attend and complete Franchisor's training program to Franchisor's satisfaction.

2.2 **Conditions.** The rights being licensed herein are subject, without limitation, to the following conditions:

A. Franchisee's business and the Restaurant shall be identified only by those Marks approved in writing by Franchisor with at least one outside sign as designated by Franchisor.

B. Concurrently, with the signing of this Agreement, Franchisee must execute a personal guaranty in the form attached hereto as Exhibit 2 ("Personal Guaranty"). In the event Franchisee is a legal entity having more than one owner, all owners, shareholders, partners, joint venturers, and any other person who directly or indirectly owns a 10% or greater interest in Franchisee (the "Owners") must execute the Personal Guaranty. Any person or entity that at any time after the date of this Agreement becomes an Owner, pursuant to Section 14 or otherwise, shall, as a condition of becoming an Owner, execute Franchisor's then-current form of Personal Guaranty.

C. Franchisee shall submit the lease for the Restaurant to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. The lease must contain the provisions outlined in Paragraph 7.2.A. and Exhibit 3 ("Lease Addendum").

D. Franchisee agrees that it shall open the Restaurant for regular, continuous business no later than twelve (12) months after this Agreement is signed by Franchisor. Franchisor may in its sole discretion extend the opening date an additional ~~3~~six (6) months if necessary, to assist Franchisee in selecting a site that meets Franchisor's approval.

E. Franchisee agrees at all times to comply with the Manual, standards, authorized products and services, food specifications and preparation, recipes, operating and business systems, and all other aspects of the System prescribed by Franchisor (collectively, the "System Standards"), which are subject to change at Franchisor's discretion.

F. Franchisee agrees to execute any exhibits, addendum, attachments and agreements to this Agreement requiring Franchisee's signature.

### 3. TERM AND RENEWAL

3.1 **Term.** The term of this Agreement (the “Term”) shall be for a period of ten (10) years beginning on the date this Agreement is accepted by Franchisor; provided, however, the term of this Agreement shall be shortened (but not extended) to conform to the term of the lease for the Authorized Location (if the lease is shorter than ten (10) years.)

3.2 **Renewal.** Unless terminated at an earlier date, upon the expiration of the Term of this Agreement, Franchisee shall have the right to renew this Agreement for one additional ten (10) year term, or for an option term equal to the new or extended term of the lease for the Authorized Location (or suitable alternative location approved by Franchisor), subject to satisfaction of each of the following conditions:

A. Prior to each such renewal, Franchisee shall execute Franchisor's standard form of franchise agreement being offered at the time of each such renewal. The provisions of each such renewal franchise agreement may differ from and shall supersede this Agreement in all respects, including, without limitation, changes in royalty and advertising fees, except that Franchisee will not be required to pay an Initial Franchisee Fee or a renewal fee for the renewal term. Franchisee's failure or refusal to execute and return Franchisor's then current standard form Franchise Agreement to Franchisor within thirty (30) days after receipt by Franchisee shall constitute Franchisee's election not to renew;

B. Franchisee shall demonstrate that it has the right to remain in possession of the Authorized Location for the duration of the renewal term, or that it has been able to secure and develop an alternative site acceptable to Franchisor;

C. In consideration of such renewal of the franchise, Franchisee shall execute a general release in the form and substance satisfactory to Franchisor, releasing any and all claims against Franchisor and Franchisor's affiliates, officers, directors, employees and agents;

D. At Franchisee's sole expense, Franchisee and Franchisee's supervisory or managerial personnel shall complete such training as Franchisor may require to bring Franchisee into conformity with the then-current qualifications and training requirements for new franchisees;

E. Franchisee shall have completed or made arrangements to make, at Franchisee's expense such renovation and modernization of the Restaurant, including the interior and exterior of the building, grounds, leasehold improvements, signs, furnishings, fixtures, equipment, uniforms and decor as Franchisor reasonably requires so the Restaurant conforms with the then current standards and image of Franchisor;

F. Franchisee, during the term of this Agreement, shall have substantially complied with all of the provisions of this Agreement and all other agreements with Franchisor, and shall be in compliance with the Manual and with Franchisor's policies, standards and specifications on the date of the notice of renewal and at the expiration of the initial term; and

G. Franchisee shall have given Franchisor written notice of renewal not less than 90 or more than 180 days before expiration of the initial term.

H. For any lease term which extends the underlying lease for a period of time in excess of the remaining term of the Franchise Agreement, or any renewal period for the Franchise Agreement, Franchisee must obtain Franchisor's prior written consent to permit either the extended lease term or any additional franchise term.

3.3 **Franchisor's Refusal to Renew Franchise.** Franchisor may refuse to renew the franchise if Franchisee is in default under this Agreement, or any other agreement with Franchisor or an affiliate of Franchisor; if Franchisee has had two or more defaults, whether cured or not, during the term of this Agreement; or if Franchisee fails to satisfy any of the foregoing conditions. Subject to the above, Franchisor will not unreasonably deny renewal of a Franchise.

3.4 **Notice of Expiration Required by Law.** If applicable law requires that Franchisor give a longer period of notice to Franchisee than herein provided prior to the expiration of the initial term or any additional term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement shall remain in effect on a month-to-month basis until Franchisee has received such required notice.

3.5 **Holdover.** If Franchisor permits Franchisee to continue operating the Restaurant after this Agreement terminates or expires, then (but without prejudice to any of the Franchisor's other rights or remedies):

- (a) Franchisee must continue to operate the Restaurant on a monthly basis;
- (b) Franchisee continues on the same terms and conditions so far as applicable to a monthly license as are contained in this Agreement; and
- (c) the monthly license may be terminated by either Party giving the other thirty (30) days' written notice, which may expire on any day.

#### 4. TRADEMARK STANDARDS

4.1 **Name and Ownership.** Franchisee acknowledges the validity of the Mark "Kajiken" and all other Marks that now or in the future are or will be part of the System and agrees and recognizes that the Marks are the sole and exclusive property of Franchisor and/or the affiliates of Franchisor. Franchisee further acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of the Kajiken Restaurant pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Franchisor from time to time. Any unauthorized use of the Marks by Franchisee shall be a breach of this Agreement and an infringement of the rights of Franchisor and its affiliates. Franchisee's use of the Marks inures to the benefit of Franchisor, which owns all goodwill now and hereafter associated with the Marks. Franchisee agrees not to contest ownership or registration of the Marks. Franchisor (and/or its affiliates) owns all right, title and interest in and to the Marks, and Franchisee has and acquires hereby only the qualified license granted in this Agreement.

4.2 **Use.**

A. Franchisee shall not use any Mark as part of the name of any corporation, limited liability company or other entity that Franchisee may form, including any prefix, suffix or other modifying words,

terms, designs or symbols, or in any modified form. Franchisee shall display and use the Marks only in the manner and form prescribed or authorized by Franchisor and shall conduct no other business than that prescribed by Franchisor. Franchisee shall not use any other mark, name, commercial symbol or logotype in connection with the operation of and shall not market any product relating to the Restaurant without Franchisor's written consent, and if such consent is granted, such product must be marketed in a manner acceptable to Franchisor. Franchisor may also permit Franchisee to use from time-to-time other trademarks, service marks, trade names and commercial symbols as may be designated in writing. Franchisee and its employees and agents will not engage in any acts or conduct that impair the goodwill associated with the Marks.

B. Franchisee agrees to give such notices of trademark and service mark registrations and copyrights as Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law.

C. Franchisee is prohibited from using the Marks in advertising, promotion or otherwise, without the appropriate "©" or "®" (copyright and registration marks) or the designations "TM" or "SM" (trademark and service mark), where applicable.

D. Franchisee shall not establish a website, a URL, or any email account(s) using any domain name containing the Marks or any variation thereof without the prior written consent of Franchisor.

E. Franchisee and its employees and agents will not engage in any acts or conduct that impair the goodwill associated with the Marks.

4.3 **Litigation.** Franchisee agrees to notify Franchisor immediately in writing if it becomes aware that any person who is not a licensee of Franchisor is using or infringing upon any of the Marks. Franchisee may not communicate with any person other than Franchisor and its counsel in connection with any such use or infringement. Franchisor will have discretion to determine what steps, if any, are to be taken in any instance of unauthorized use or infringement of any of its Marks and will have complete control of any litigation or settlement in connection with any claim of an infringement or unfair competition or unauthorized use with respect to the Marks. Franchisee, at Franchisee's own expense will execute any and all instruments and documents and will assist and cooperate with any suit or other action undertaken by Franchisor with respect to such unauthorized use or infringement such as by giving testimony or furnishing documents or other evidence. Franchisor will be responsible for legal expenses incurred by Franchisor in connection with any litigation or other legal proceeding involving such third party. Franchisor shall not be liable for any legal expenses of Franchisee unless approved in writing by Franchisor in its discretion.

4.4 **Modification, Discontinuance or Substitution.** Franchisor reserves the right, if necessary, in Franchisor's sole judgment, to change the principal Mark(s) of the System on a national or regional basis, and promptly upon notice, Franchisee shall at its expense adopt a new principal Mark(s) designated by Franchisor to identify the Restaurant. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's change of any Mark. Franchisor shall have no liability for any expenses or damages incurred by Franchisee as a result of Franchisor's election to change the use of any or all of the Marks.

4.5 **Franchisor's Revenues.** Franchisor and its affiliates may offer to sell to Franchisee at a reasonable profit various goods and services, and they reserve the right to receive fees or other consideration in

connection with the “Kajiken Restaurant” sales promotion and advertising programs or from System vendors.

## 5. FEES

5.1 **Initial Franchise Fee.** Franchisee agrees to pay Franchisor an “Initial Franchise Fee” in the amount of \$50,000 for a single Kajiken Restaurant franchise, upon the execution of this Agreement. The Initial Franchise Fee is payable by cashier's check, wire transfer, or electronic check (“eCheck”), and is deemed fully earned by Franchisor upon payment and is not fundable in whole or in part, under any circumstances. The Initial Franchise Fee is used, among other things, to offset Franchisor’s costs and expenses relating to site selection assistance [if appropriate], initial training, equipment [if appropriate], establishment of suppliers, inspection, testing and other quality control programs, design assistance, project management, initial marketing and grand opening assistance, as well as Franchisor’s other costs in helping Franchisee open the franchise.

If Franchisee is an existing franchisee in Good Standing, Franchisee will pay Franchisor a reduced Initial Franchise Fee in the amount of \$40,000 for each subsequent Kajiken Restaurant Franchisee purchases.

If Franchisee enters into an area development agreement with Franchisor for the development of three (3) or more Kajiken Restaurants (“Area Development Agreement”), the Initial Franchise Fee due under this Agreement will be reduced to Forty Thousand Dollars (\$40,000) for each Restaurant developed pursuant to the Area Development Agreement.

5.2 **Royalty Fee.** Beginning from the day the Restaurant first opens for business and continuing during the Term of this Agreement, Franchisee agrees to pay Franchisor weekly, without setoff, credit or deduction of any nature, a royalty fee (the “Royalty Fee”). The Royalty Fee will be equal to four percent (4%) of Franchisee’s Gross Sales (as that term is defined in Section 5.3, below.) Franchisee agrees to pay the Royalty Fee by Wednesday of each week following the week in which the royalties were earned, using the method of payment as specified in Section 5.6 below. If any state imposes sales or other taxes on the Royalty Fees, then Franchisor shall have the right to collect such tax from Franchisee.

5.3 **Gross Sales.** As used in this Agreement, the term “Gross Sales” shall mean and include the total actual gross charges for all products and services sold to customers of the Restaurant, for cash or credit, whether such sales are made at or from the premises of the Restaurant, or any other location or other channels of distribution, including, but not limited to, income related to take-out orders, third-party online ordering and/or delivery aggregators, and catering events, but excluding sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authority, customer refunds and adjustments, and third-party delivery fees charged by online ordering and/or delivery aggregator. Upon Franchisor’s request, Franchisee will send Franchisor a weekly report showing the computation of the Royalty Fee and all other fees and amounts payable under this Agreement using Franchisor’s forms. Franchisor may access or “poll” by telephone, Internet or other technology, remotely or on-site from Franchisee’s computer system and business records to collect information and to verify the Gross Sales and all fees payable under this Agreement.

5.4 **Marketing Fund Contribution.** If Franchisor establishes a Marketing Fund to advertise and promote Kajiken Restaurants, Franchisee agrees to pay Franchisor, weekly, during the term of this Agreement, 0.5% to 3% (at Franchisor’s discretion upon 6 months’ notice to Franchisee) of Franchisee’s

Gross Sales, without set-off, credit or deduction of any nature, for national advertising and marketing services (the "Marketing Fund Contribution"), at the same time and in the same manner as the Royalty Fee is paid. The Marketing Fund Contribution shall be expended in accordance with Section 9.3 herein.

5.5 **Local Marketing/Advertising Expenses.** Franchisee agrees to spend each month no less than 1% of its Gross Sales for the month on local advertising and promotion of the Restaurant. When/If Franchisee's annual Gross Sales reach \$3,000,000, then Franchisee may decrease its local marketing and advertising expenditure to 0.5% of its Gross Sales (See Section 9.4 for more details on Local Marketing/Advertising.)

5.6 **Electronic Transfer.**

A. Unless Franchisor in its discretion specifies otherwise, Franchisee agrees to pay the Royalty Fee, Marketing Fund Contribution and any other fees owed to Franchisor by wire transfer or check, or as otherwise determined by Franchisor, including, but not limited to, by pre-authorized electronic debit to Franchisor's bank or other financial institution account. Franchisee agrees to complete and execute any forms necessary for the purpose of authorizing an electronic debit, and to submit any information required by Franchisor for such authorization. Franchisee agrees to maintain an account at a bank or other financial institution that has the capacity to perform electronic debits to its account.

B. For purposes of this Agreement, each week shall end at midnight Sunday.

C. Franchisee agrees to install at its expense and use such pre-authorized payment and computerized point of sales systems, credit verification systems, automatic payment systems, electronic funds transfer systems, or automatic banking system as Franchisor in its discretion may require. This requirement may be specified by Franchisor to fulfill any business purpose reasonably related to the operation of the Restaurant and the System or to permit Franchisee to make all required payments to Franchisor by automatic bank transfer.

D. Franchisee agrees to maintain account balances sufficient to make all payments due to Franchisor by wire transfer, check, or electronic transfer. Any insufficiency shall constitute a default in payment pursuant to Paragraph 15.2(2) of this Agreement. Any charges incurred by Franchisor due to a shortage of funds in Franchisee's bank account shall be promptly reimbursed by Franchisee to Franchisor.

5.7 **Initial Training Fee.** Franchisee must pay Franchisor an "Initial Training Fee" in a lump sum amount of \$30,000 prior to attending Franchisor's required initial training program and the opening of the Restaurant. The Initial Training Fee will cover the costs of training Franchisee (or the Operating Partner) and at least two (2) of Franchisee's supervisory or managerial personnel (i.e., restaurant managers); provided that Franchisee and its supervisory or managerial personnel attend the initial training program at the same time. Subject to availability, and with Franchisor's approval, Franchisee may have additional employees attend the initial training program at no additional charge. Franchisee is responsible for all travel, lodging, food, wages, and other expenses incurred in connection with the initial training for Franchisee and its employees. The Initial Training Fee is payable by cashier's check, wire transfer, or eCheck. If Franchisee is unable to obtain an acceptable site and open the Restaurant, Franchisor may, at its sole discretion, refund a portion of the Initial Training Fee on a pro rata basis.

5.8 **Interest and Late Charges.** Amounts due to Franchisor (except interest on unpaid amounts due) not paid when due shall bear interest from the date due until paid at the lesser of one and one-half percent

(1.5%) per month, or the highest rate of interest allowed by law. Additionally, Franchisor may require Franchisee to pay an administrative fee of \$92 for each late payment or late report. Franchisor may also recover its reasonable attorneys' fees, costs and other expenses incurred in collecting amounts owed by Franchisee.

5.9 **Support Fee.** If Franchisee fails to have a trained Operating Partner (defined in Section 17.7) or trained manager (approved by Franchisor) at any time during the term of this Agreement, Franchisor may provide such qualified personnel to Franchisee to fill said vacancy and charge Franchisee a support fee ("**Support Fee**") in the amount of 10% of Gross Sales during the time period support provided, plus travel and living expenses until a replacement or successor Operating Partner or manager has successfully completed training

5.10 **No Accord or Satisfaction.** If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount due under this Agreement for any payment due hereunder, such payment or receipt shall be applied against the earliest amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be construed as an accord or satisfaction.

## 6. FRANCHISOR SERVICES

6.1 **Site Selection and Lease Negotiations.** Franchisee is responsible for locating, obtaining and evaluating the suitability and prospects of the Restaurant location, and for the review and negotiation of Franchisee's lease. However, Franchisor, at Franchisee's request, will work closely with and assist Franchisee in site selection and the review and negotiation of Franchisee's lease by furnishing Franchisee with Franchisor's confidential site evaluation criteria, by consulting with and counseling Franchisee, and, at Franchisor's discretion, conducting field inspections of proposed sites at mutually convenient times. Franchisor must approve Franchisee's site selection. Franchisor agrees not to withhold approval unreasonably of a site that meets its site criteria. Franchisee acknowledges that Franchisor's approval of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. If Franchisor and Franchisee are not able to agree upon a site for the Restaurant within the time period allotted in Section 1.2, Franchisor may terminate this Agreement.

6.2 **Unit Development.** Franchisor shall consult and advise Franchisee on proper display of the Marks, layout and design, procurement of equipment, furniture, fixtures and initial inventories, and managing construction or remodeling of the Restaurant. After Franchisee has executed a lease for the Authorized Location, Franchisor shall deliver to Franchisee specifications and standards for building, equipment, furnishings, fixtures, layout, design and signs relating to the Authorized Location and shall provide reasonable consultation in connection with the development of the Restaurant. Franchisor shall at its corporate headquarters, or at such other place as designated by Franchisor, review Franchisee's plans and assist Franchisee in selecting the plan most suitable for the Restaurant. Franchisor will provide Franchisee with guidelines for purchasing or leasing equipment, signage, furniture, fixtures, inventory and supplies for the Restaurant. Franchisee's architect must make any layout, design and specifications provided by Franchisor site-specific. Franchisee agrees to make no changes, alterations or modifications whatsoever to the selected layout and design without obtaining prior written consent from Franchisor. If there is a

conflict between Franchisee and Franchisor regarding the layout and design of the Restaurant, Franchisor's recommendations shall control.

### 6.3 **Initial Training.**

A. Prior to the opening of the Restaurant and upon Franchisee's payment of the Initial Training Fee (as set forth in Section 5.7, above), Franchisor will provide initial training (the "Initial Training Program") to Franchisee and up to two (2) of Franchisee's supervisory or managerial personnel, including its designated Restaurant manager ("Restaurant Manager"); provided, however, Franchisee and its supervisory or managerial personnel must attend such training simultaneously. If Franchisee is a business entity, then the Operating Partner, as identified in Section 17.7, herein, must successfully complete the Initial Training and any additional required training, and comply on an ongoing basis with all ongoing/refresher training requirements on behalf of Franchisee.

B. The length of the Initial Training Program is scheduled at Franchisor's discretion and consisting of a combination of classroom training and on-the-job training. The Initial Training will be conducted at Franchisee's Restaurant, another Kajiken Restaurant, or at another training facility designated by Franchisor. The Initial Training will cover basic aspects of establishing and operating the Restaurant, including a point-of-sale computer system, recipes, forms, costs and cash control, purchasing, inventory control and disposition, customer service, marketing, selling skills, employee hiring, training and scheduling procedures, job functions and maintenance of quality standards. Franchisor may arrange for an existing Kajiken franchisee to provide training to Franchisee on behalf of Franchisor. The services provided by such existing franchisee will satisfy Franchisor's applicable training obligations to Franchisee under this Agreement.

C. All of the required Initial Training is mandatory. Franchisee (or its Operating Partner) and the Restaurant Manager(s) must satisfactorily complete the Initial Training Program, which includes (i) attendance at all scheduled training days and times, as communicated in advance of the training, within the timeframe established by Franchisor; and (ii) passing any written exam given at the end of the training with a score of 80% or higher. Franchisee is responsible for all travel, lodging, food, wages, wage related expenses and other expenses in connection with the Initial Training Program for Franchisee, its Operating Partner, the Restaurant Manager, and any other employee of Franchisee who attends the training.

D. If Franchisee (or its Operating Partner) does not satisfactorily complete the Initial Training, then Franchisor shall have the option, at Franchisor's sole discretion, to (1) extend the Initial Training for Franchisee (or its Operating Partner) and allow Franchisee additional time to successfully complete the Initial Training, or (2) terminate this Agreement.

E. If Franchisee does not complete the Initial Training Program within the scheduled timeframe necessitating Franchisor to extend the Initial Training for a longer period of time, then Franchisor may charge Franchisee a fee of \$300 per day until Franchisee completes the Initial Training Program to Franchisor's satisfaction.

F. Franchisee agrees to require any and all Restaurant Managers employed after the Restaurant is opened to complete the Initial Training Program for restaurant managers. Each Restaurant Manager shall attend and complete the next available initial training classes offered by Franchisor following the commencement date of his/her employment. Franchisor, at its sole discretion, may choose

to allow Franchisee to provide the Initial Training to new managers at the Restaurant if Franchisor believes Franchisee is capable of adequately conducting the required initial training.

G. If Franchisee is an existing Kajiken Restaurant franchisee, Franchisor may elect, at its sole discretion, to reduce the amount of required Initial Training Program for Franchisee and its Restaurant managers.

H. In the event that Franchisee finds it necessary to replace its Operating Partner, Franchisee shall be required to designate a new Operating Partner within 30 days, submit the proposed replacement's qualifications to Franchisor for approval, and have the new Operating Partner attend and satisfactorily complete the Initial Training Program at the next available classes offered by Franchisor.

I. If warranted by government regulations, emergency guidelines, enforced quarantines, travel restrictions, a natural disaster, force majeure or other event outside of Franchisor's control, Franchisor reserves the right to conduct any and all training, classes, courses, meetings, and conferences, online, telephonically, or otherwise, or to cancel or delay any and all such training, classes, courses, meetings, and conferences.

#### 6.4 **Additional Training, Refresher Training, and Meetings.**

A. If at any time after completion of the Initial Training, Franchisee requests additional training for Franchisee or any of its employees, or if Franchisee employs a new Restaurant Manager or selects a new Operating Partner, Franchisee shall pay Franchisor the then-current "Additional Training Fee" for such additional training. Franchisee is responsible for all travel, lodging, food, wages, wage related expenses and other expenses in connection with the training incurred by Franchisee and its employees to attend the training.

B. Franchisee agrees to attend, at its sole expense, refresher training or new training offered by Franchisor, as Franchisor may reasonably require, to correct, improve and/or enhance the operation of the Restaurant. Franchisor, in its sole discretion, shall designate the location where such refresher training will be held, which may be at Franchisee's Restaurant, another Kajiken Restaurant, or another location designated by Franchisor, or may be conducted virtually, depending on the type of training required, and will be at a date and time that is convenient for Franchisor. Franchisee must pay any applicable, reasonable fees charged by Franchisor for the refresher training. Additionally, if such refresher training is held at the Restaurant, Franchisee shall pay all reasonable and customary business travel and living expenses incurred by Franchisor's trainers while conducting the training at the Restaurant.

C. Franchisee agrees to attend, at its sole expense, all annual meetings and other meetings, conferences, conventions, and conference calls of franchisees that Franchisor determines are mandatory for all franchisees, or groups of franchisees (as designated by Franchisor in its reasonable discretion).

6.5 **Operations Manual.** Franchisor will lend Franchisee one (1) copy of Franchisor's Manual during the term of this Agreement. The Manual is anticipated to codify existing mandatory and suggested specifications, standards and operating procedures currently prescribed by Franchisor. Franchisee acknowledges that Franchisor may from time to time revise its System as well as the contents of the Manual, and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. Any required specifications, standards, and/or operating procedures exist to protect Franchisor's interests in the System and the Marks and to create a uniform customer experience,

and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee. The Manual shall remain the sole property of Franchisor and shall be kept confidential by Franchisee both during the term of this Agreement and subsequent to the termination, expiration, or non-renewal of this Agreement. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained at Franchisor's principal office shall be controlling. The Manual may be provided electronically, in which case, Franchisor will grant Franchisee online access to an electronic version of the Manual, during the term of this Agreement. If Franchisee in any way compromises the secure access to the online version of the Manual, including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated damages in the amount of \$10,000, to compensate Franchisor for the breach and related damage to the System.

6.6 **Continuing Services.** Franchisor shall provide such continuing advisory assistance and information to Franchisee in the development and operation of the Restaurant as Franchisor deems advisable. Such assistance may be provided, in Franchisor's discretion, by Franchisor's directives, System bulletins, meetings and seminars, telephone, computer, e-mail, fax, personal visits, newsletters or manuals. Franchisor may provide regular consultation and advice to Franchisee in response to inquiries from Franchisee regarding administrative and operating issues that Franchisee brings to Franchisor's attention. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone will establish all requirements, consistent with Franchisor's policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Restaurant for which Franchisor has not established Approved Suppliers. The rendering of any consultation, advice, assistance, consent, approval or services by Franchisor, as set forth in this Agreement, does not constitute any assurance or guaranty that such consultation, advice, assistance, consent, approval or services will result in any level of success of Franchisee's business. Any Franchisor services set forth in this Agreement may be provided by Franchisor and/or representative(s) or designee(s) of Franchisor.

6.7 **Approved/Designated Suppliers, Products and Services.**

A. Franchisor shall provide and from time to time, add to, alter or delete, at Franchisor's discretion, lists of specifications, approved distributors and suppliers, approved services, products, materials and supplies, and training that may benefit Franchisee in the operation of the Restaurant. Franchisor has the right to require that Franchisee obtain products/services specified by Franchisor from time to time exclusively from suppliers designated or approved by Franchisor ("Approved Suppliers"). Franchisor has the right to designate or approve a single supplier or multiple suppliers for any specified product/service and to designate a single supplier as an exclusive supplier of a required product or service. Approved Suppliers may include, and may be limited to, Franchisor and/or companies affiliated with Franchisor. Franchisee must not offer or sell any products or services not approved by Franchisor. If Franchisor disapproves a particular item, Franchisee agrees not to use it. (See Section 8.6 for more details on the products and services to be offered for sale at the Restaurant.)

B. Designation or approval of a supplier may be conditioned on factors established by Franchisor as it considers appropriate, including without limitation, performance relating to frequency of delivery, standards of service, inability to maintain quality/adequate supply of goods, inability to meet or maintain acceptable pricing, and payment or other consideration to Franchisor or parties designated by

Franchisor. Franchisor can approve, or revoke or deny approval, of particular items or suppliers in its sole discretion. Franchisor and its affiliates reserve the right to receive rebates, incentive amounts, discounts and other economic benefits from any supplier and have the right to realize a profit on the sales of products and/or services to Franchisee.

C. Franchisee can request the approval of an item, product, service or supplier by notifying Franchisor in writing and submitting such information and/or materials Franchisor may request. Franchisor may require Franchisee to pre-pay any reasonable charges connected with Franchisor's review and evaluation of any proposal. These charges may include reimbursement for reasonable travel, accommodations and meal expenses, plus a fee of \$920 per each inquiry, for evaluating a supplier at Franchisee's request. Franchisor will notify Franchisee in writing of Franchisor's approval or disapproval within 90 days after Franchisee makes a written request.

6.8 **Pricing.** Franchisor has developed an image that is based in part on consistent and reasonable prices for products and services offered by the System. To promote a consistent consumer experience, and to maximize the value of limited advertising expenditures, and subject to applicable state law, Franchisor may require fixed minimum or maximum prices for any products or services offered by the System and Franchisee. Franchisee is obligated to use the pricing required by Franchisor, unless Franchisor consents to changes in local pricing offered by Franchisee in order to (i) allow Franchisee to respond to unique, local, marketing conditions, competition, or expenses; or (ii) comply with changes or interpretations in State or Federal anti-trust laws. Consistent with State or Federal law, Franchisor reserves the right to change or eliminate its pricing program in the future, or to move from a required to recommended pricing structure. Franchisee acknowledges and agrees that any maximum, minimum or other prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of the Restaurant, and Franchisee irrevocably waives any and all claims arising from or related to Franchisor's prescription or suggestion of the retail prices at the Restaurant.

6.9 **Grand Opening Advertising Assistance.** Franchisor shall consult and advise Franchisee on the advertising, marketing and promotion for the Grand Opening of the Restaurant pursuant to Paragraph 9.6 of this Agreement.

6.10 **Possible Assistance from Existing Franchisees.** Franchisor may enter into arrangements with existing Kajiken franchisees to assist Franchisor with delivering certain services to franchisees. Such existing franchisees may provide services, such as, conducting meetings and providing training, to Franchisee on behalf of Franchisor. The services provided by such existing franchisees will satisfy Franchisor's applicable service obligations to Franchisee under this Agreement. Such existing franchisees will receive compensation from Franchisor for their services.

6.11 **Notice of Completion of Pre-Opening Obligations.** After Franchisor has completed its pre-opening obligations to Franchisee under this Agreement, Franchisor may require Franchisee to sign and deliver to Franchisor confirmation that Franchisor has performed its pre-opening obligations in a form that Franchisor reasonably requests ("Notice of Completion"). If Franchisor asks Franchisee to provide Franchisor with such Notice of Completion, Franchisee must sign and deliver it to Franchisor within five (5) days after Franchisor's request. The term "pre-opening obligations" means the obligations Franchisor has provided to Franchisee under this Agreement that must be performed before the date that the Franchised Business starts its operations. If Franchisee reasonably believes that Franchisor has not completed its pre-opening obligations to Franchisee, Franchisee must provide Franchisor with a notice in writing, within that same five (5) day period, specifying those pre-opening obligations that have not been

performed (“Remaining Obligations”). Within five (5) days following our completion of the Remaining Obligations, Franchisee must execute and deliver to Franchisor the Notice of Completion notwithstanding that Franchisor’s performance of such obligations was concluded after the time of performance required by this Agreement. In the event Franchisee fails to timely sign and deliver to Franchisor a Notice of Completion (or notice of Remaining Obligations) Franchisee will be deemed to have confirmed that all of Franchisor’s pre-opening obligations have been met.

## **7. FACILITY STANDARDS, LEASE AND CONSTRUCTION**

7.1 **Facility Specifications.** Franchisee acknowledges and agrees that the Restaurant shall meet the following conditions:

A. The Restaurant shall be laid out, designed, constructed or improved, equipped and furnished in accordance with Franchisor’s standards and specifications. Equipment, furnishings, fixtures, decor and signs for the Restaurant shall be purchased from suppliers approved by Franchisor. Although Franchisor may set a specification or require use of an approved supplier in its sole discretion, Franchisor makes no representations or warranties about the specification, or about the goods or services provided by such supplier. Franchisor is not liable for any damages, injuries or losses caused by or due to the actions, services or products supplied to Franchisee from any third-party supplier approved by Franchisor. Franchisee acknowledges that it is responsible for supervising the build-out of the Restaurant and the installation of equipment, fixtures and signage. Franchisee may not remodel or alter the Restaurant, or change its equipment, furniture or fixtures, without Franchisor’s prior written consent. Franchisee must obtain necessary permits, licenses and other legal or architectural requirements. The Restaurant shall contain or display only signage that Franchisor has specifically approved or designed, and shall use only the type and style of menu board designated or approved by Franchisor.

B. The Restaurant shall be maintained in accordance with standards and specifications established by Franchisor or prescribed after inspection of the Restaurant. Franchisee shall promptly repair or replace defective or obsolete equipment, signage, fixtures or any other item of the interior or exterior that is in need of repair, refurbishing or redecorating in accordance with such standards established (and updated from time to time) by Franchisor or as may be required by Franchisee’s lease.

C. The Restaurant shall contain signage prominently identifying Franchisee by name as an independently owned and operated franchisee of Franchisor.

D. Franchisor may place, in a conspicuous location, informational materials, including, without limitation, a discrete brochure rack on the customer counter and various signage and/or language on the front doors and/or windows relating to its franchise opportunities at any time during the term of this Agreement and any extensions to this Agreement.

7.2 **Lease.**

A. Franchisee is solely responsible for purchasing or leasing a suitable site for the Restaurant. Franchisee must submit the purchase agreement or lease for the Restaurant to Franchisor for its written consent before Franchisee executes the purchase agreement or lease for the Authorized Location. Franchisor will not withhold consent arbitrarily; however, any lease must contain substantially the following provisions: (1) “The leased premises will be used only for the operation of a Kajiken Restaurant Franchise;” (2) “The employees of Franchisor will have the right to enter the leased premises to make any

modifications necessary to protect the System and proprietary marks thereof;" (3) "Lessee agrees that Lessor may, upon request of Franchisor disclose to said Franchisor all reports, information or data in lessor's possession with respect to sales made in, upon or from the leased premises;" and (4) a conditional assignment clause to be contained in a lease addendum, in a form approved by Franchisor, which shall provide that Franchisor (or its designee) may, upon termination, expiration, non-renewal or proposed assignment of this Agreement, at Franchisor's sole option, take an assignment of Franchisee's interest thereunder, without the consent of the Lessor or property owner, without liability for accrued obligations, payment of additional consideration or increase in rent, and at any time thereafter, reassign the lease to a new franchisee. Franchisor's execution of this Agreement is conditioned upon the above-referenced lease addendum in the form attached hereto, as Exhibit 3 ("Lease Addendum"), which shall be signed by Franchisee and attached and made part of the lease for the Restaurant. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

B. Franchisee may not terminate, renew or in any way alter or amend the lease for the Restaurant during the term thereof, or any renewal term thereof, without Franchisor's written consent, except as otherwise provided in this Agreement. Franchisee may not sublicense or assign rights granted in this Agreement except in accordance with Article 14.

C. Franchisee's execution of a lease for the Restaurant shall constitute: (1) acceptance by Franchisee of such site and location and the terms of such lease; and (2) a waiver of any claim or right against Franchisor relating to the choice of such site and location or the terms of such lease.

D. Franchisee shall provide Franchisor with a copy of Franchisee's fully executed lease with all exhibits and attachments thereto for the Restaurant promptly after execution.

E. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

7.3 **Development of the Restaurant.** Franchisee agrees that after obtaining possession of the Authorized Location, Franchisee will complete promptly the following actions, at Franchisee's sole expense:

A. Obtain any standard plans and/or specifications for the Restaurant from Franchisor;

B. Employ a qualified licensed architect, as required by state or local codes to prepare, in accordance with Franchisor's specifications and standards all requisite drawings, designs, plans and specifications for the Restaurant location;

C. Submit to Franchisor all requisite drawings, designs, plans and specifications, including signage, prepared by such architect;

D. Obtain approval of such requisite drawings, designs, plans and specifications, including signage, from the Franchisor, lessor and local authorities prior to commencement of construction of the Restaurant.

E. Obtain all permits and certifications required for lawful construction and operation of the Restaurant, including, without limitation, zoning, building, access, sign, fire and health requirements;

F. Construct the Restaurant under the supervision of a licensed general contractor in full and strict accordance with all legal requirements and with the plans and specifications approved by Franchisor, lessor and local authorities;

G. Obtain or require the contractor to obtain payment and performance bonds;

H. Obtain all customary contractor's sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services for the Restaurant;

I. Obtain or have the contractor obtain Builder's Risk Insurance naming Franchisor as a loss payee;

J. Complete the construction or remodeling of the Restaurant in full and strict compliance with plans and specifications approved by Franchisor, landlord for the site, and with all applicable ordinances, building codes and permit requirements;

K. Purchase or lease, in accordance with Franchisor's standards and specifications, all equipment, furniture, fixtures, inventory, supplies and signs required for the Restaurant;

L. Hire and train the initial supervisory and managerial personnel according to Franchisor's standards and specifications;

M. Complete development of and have the Restaurant open for business not later than twelve (12) months after the date that Franchisor accepts this Agreement unless Franchisor extends the opening date, but in no event later than fifteen (15) months after the date that Franchisor accepts this Agreement; and

N. Not later than 90 days after the Restaurant opens for business, furnish to Franchisor an itemized breakdown of the costs incurred by Franchisee in developing the Restaurant, including design, construction, equipment, furniture, fixtures, signage, inventory and supplies.

7.4 **Franchisee's Responsibility.** Notwithstanding the foregoing, Franchisee acknowledges and agrees that although Franchisor may provide Franchisee with various standard or sample plans and specifications with respect to constructing and equipping the Restaurant, Franchisor is not acting as a general contractor or providing construction advice. Franchisee must hire its own licensed general contractor and architect to comply with local ordinance's and codes, and Franchisee alone is responsible for the build out of the Approved Location, it is Franchisee's sole responsibility to construct and equip the Restaurant in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and all other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to execute the ADA Certification Form attached to this Agreement as Exhibit 5. Franchisor makes no representations or warranties that any of the standard or sample plans and specifications provided to Franchisee comply with such laws and regulations. Franchisee agrees to indemnify, defend and hold harmless Franchisor with respect to any standard or sample plans and specifications provided by Franchisor and with respect to the constructing and equipping of the Restaurant.

## 8. FACILITY IMAGE AND OPERATING STANDARDS.

8.1 **Compliance.** Franchisee acknowledges and agrees that every detail regarding the appearance and operation of the Restaurant is important to Franchisee, the System and other Kajiken Restaurant Franchisees in order to maintain high and uniform operating standards, to increase demand for the products and services sold by all franchisees, and to protect Franchisor's reputation and goodwill, and, accordingly, Franchisee agrees to comply strictly at all times with the requirements of this Agreement and Franchisor's standards and specifications (whether contained in the Manual or any other written or oral communication to Franchisee by Franchisor) relating to the appearance or operation of the Restaurant. Franchisee further agrees to promptly implement any changes in operational and facility requirements when prescribed by Franchisor, even if additional investment or expenditures are required. Franchisee acknowledges that others may operate under different forms of agreement with Franchisor, and that the rights and obligations of the parties to other agreements may differ from those hereunder.

8.2 **Franchisor's Right to Inspection.** To determine whether Franchisee is complying with this Agreement and Franchisor's standards and specifications, Franchisor reserves the right to supervise, determine and approve the standards of appearance, quality and service pertinent to the Restaurant including, without limitation, the right at any reasonable time and without prior notice to Franchisee to: (1) inspect and examine the business premises, equipment, facilities and operation of the Restaurant; (2) interview Franchisee and Franchisee's employees; (3) interview Franchisee's customers, suppliers and any other person with whom Franchisee does business; (4) confer with members and staff of government agencies with authority over Franchisee about matters relevant to the Restaurant; and (5) use "mystery shoppers," who may pose as customers and evaluate Franchisee and Franchisee's operations.

8.3 **Franchisor's Notice of Deficiency.** If Franchisor issues to Franchisee a notice of default, Franchisor will have the right (but not the obligation), in addition to all other remedies, to take such corrective action as is, in the sole determination of Franchisor, necessary and appropriate to bring the Restaurant in compliance with Franchisor's specifications, standards, methods, policies and procedures; provided that Franchisor will not initiate any such action in connection with any default under Section 15.2B. until the applicable cure period has expired. Franchisee shall pay the entire cost thereof to Franchisor on demand.

8.4 **Adherence to Good Business Practices.** Franchisee shall adhere to good business practices, observing high standards of honesty, integrity, fair dealing and ethical business conduct in all business dealings with customers, employees, vendors and Franchisor.

8.5 **Personnel.** Franchisee agrees to employ in the operation of the Restaurant only persons of high character and ability who maintain and exhibit traits of enthusiasm, cleanliness, neatness, friendliness, honesty and loyalty, it being recognized by Franchisee that such persons are necessary in order to promote and maintain customer satisfaction and the goodwill of the Restaurant. Franchisee agrees to staff the Restaurant at all times with a sufficient number of qualified, competent personnel who have been trained in accordance with Franchisor's standards and who shall wear Franchisor's approved uniforms during working hours. All employees Franchisee hires or employs at the Restaurant will be Franchisee's employees and Franchisee's employees alone, and will not, for any purpose, be deemed to be Franchisor's employees or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. Franchisee will file its own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments for its employees and operations. Franchisor will not have the power to hire or fire Franchisee's

employees. Franchisor's authority under this Agreement to train and approve Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the Restaurant does not directly or indirectly vest Franchisor with the power to hire, fire or control any of Franchisee's personnel. Franchisee will be solely responsible for all hiring and employment decisions and functions relating to the Restaurant, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee shall engage in no discriminatory employment practices and shall in every way comply with all applicable laws, rules and regulations of federal, state and local governmental agencies, including, without limitation, all wage-hour, civil rights, immigration, employee safety and related employment and payroll related laws. Franchisee shall make all necessary filings with, and to pay all taxes and fees due to, the Internal Revenue Service and all other federal, state and local governmental agencies or entities to which filings and payments are required. Any guidance Franchisor may give Franchisee regarding employment policies should be considered merely examples. Franchisee will be responsible for establishing and implementing its own employment policies and should do so in consultation with local legal counsel experienced in employment law.

#### **8.6 Products and Services to be Offered for Sale.**

A. Franchisee acknowledges that the presentation of a uniform image to the public and the offering of uniform product lines is an essential element of a successful franchise system. In order to insure consistency, quality and uniformity throughout the System, Franchisee agrees (1) to sell or offer for sale only items, products and services that have been expressly approved for sale by Franchisor; (2) to sell or offer for sale all menu items, products and services required by Franchisor; (3) not to deviate from Franchisor's methods, standards and specifications regarding, without limitation, ingredients, methods of preparation and service, and weight, quality and dimensions of products served; and (4) to discontinue selling and offering for sale any menu items, products or services that Franchisor may, in its discretion, disapprove at any time. Franchisor shall assist Franchisee in obtaining items, products and services that conform to Franchisor's quality standards and specifications. Franchisor shall supply Franchisee with a list of Approved Suppliers from which Franchisee is required to purchase items, products or services for the Restaurant. Franchisor may change this list from time to time, and upon notification to Franchisee, Franchisee shall only purchase items, products or services from Approved Suppliers as specified on the changed list. All of the packaging materials, paper and plastic products used in the operation of the Restaurant that are available imprinted must be imprinted with the Marks and other insignias as prescribed by Franchisor from time to time. Franchisee agrees to keep the Restaurant well stocked and be able at all times during business hours to provide customers with all menu items specified by Franchisor. Franchisor shall determine at its discretion whether Franchisee is adequately stocked.

B. In order to maintain consistency of product, quality, taste and identity of the "Kajiken" brand, Franchisee agrees that all products and services, except those products and services specifically approved in writing by Franchisor, must be purchased exclusively from Approved Suppliers. Franchisor may charge Franchisee a "Prohibited Product or Service Fine" of \$460 per day if Franchisee uses any unauthorized product or service in the operation of the Restaurant.

C. If Franchisee proposes to offer for sale any items, products or services that have not been approved by Franchisor, Franchisee shall first notify Franchisor in writing and submit sufficient information, specifications and samples concerning such product and/or supplier and/or service for a determination by the Franchisor whether such product or supplier or service complies with the

Franchisor's specifications and standards and/or whether such supplier meets the Franchisor's Approved Supplier criteria. Franchisor shall, within ninety (90) days, notify Franchisee whether or not such proposed product and/or supplier or service is approved, as determined in Franchisor's discretion. Franchisor reserves the right to charge Franchisee reasonable costs in connection with Franchisor's review, evaluation and approval of alternative suppliers, as set forth in Section 6.7 C. Franchisor may from time to time prescribe procedures for the submission of requests for approved products and/or suppliers or services and obligations that Approved Suppliers must assume (which may be incorporated in a written agreement to be executed by Approved Suppliers). Franchisor reserves the right to revoke its approval of a previously authorized supplier, product or service when Franchisor determines in its discretion that such supplier, product or service is not meeting the specifications and standards established by Franchisor. If Franchisor modifies its list of approved products, and/or suppliers and/or services, Franchisee shall not, after receipt in writing of such modification, reorder any product or utilize any supplier, product or service that is no longer approved.

D. Franchisee acknowledges and agrees that the offer or sale of any products or services not approved by Franchisor shall constitute a material breach of this Agreement.

E. Franchisee acknowledges and agrees that Franchisor may become an Approved Supplier for certain products, logo items, menu boards, inside restaurant signage and artwork, that Franchisor may derive income from the sale of such items, and that the price charged by Franchisor may reflect an ordinary and reasonable profit consistent with a business of the kind that produces and/or supplies such items.

F. Franchisee may only sell the products and services from the Restaurant's Authorized Location and may not use the internet or alternative channels of commerce to offer or sell the products and services unless permitted by Franchisor. Nothing in the foregoing shall prohibit Franchisee from obtaining customers over the Internet provided Franchisee's Internet presence and content comply with the requirements of this Agreement.

G. Franchisee acknowledges and agrees that Franchisor retains the right, in Franchisor's sole discretion, to offer products or services using the System and the Marks, or under a different format or brand name, in alternative channels of commerce, or in alternative methods of distribution, including, without limitation, distribution of products or services through retail stores, supermarkets, grocery stores, convenience stores, gasoline stations, discount stores, kiosks, mobile kitchens, catering trucks, street vendor carts, stadiums, convention centers, concert halls, amusement parks, fairgrounds, public gatherings, mail order facilities, internet based facilities, or onsite services for business locations. Franchisee agrees that the use of such other channels of distribution is not an encroachment upon the Protected Radius granted under this Agreement.

#### **8.7 Compliance with Laws.**

A. Franchisee agrees to comply with all federal, state and local laws, rules, and regulations and shall as soon as practicable, but in any event prior to the opening for business of the Restaurant, obtain all municipal and state permits, certificates or licenses necessary to operate the Restaurant and shall file and publish, if required by applicable law, a certificate of doing business (whether under a fictitious name or otherwise). Franchisee shall make all such permits, licenses and certificates available for inspection by representatives of Franchisor prior to the opening for business of the Restaurant and thereafter at all times during Franchisee's business hours. Franchisee shall operate and maintain the

Restaurant in strict compliance with all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and any other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to provide immediately Franchisor with a copy of any notice received by Franchisee from any state, local or governmental agency pertaining to compliance with any codes or requirements, or the failure to comply with any codes or requirements, at the Restaurant. Franchisee must at all times be current in its knowledge and understanding of all laws as they relate to the operation of the Restaurant. Franchisee hereby certifies and represents that Franchisee, and any of its affiliates, any of its partners, members, shareholders or other equity owners, and their respective employees, officers, directors representatives or agents, are not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control. Franchisee hereby agrees to defend, indemnify and hold harmless Franchisor from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorneys' fees and costs, and interest on such fees, costs and expenses) arising from or related to any breach of the certifications set forth in this paragraph.

B. Franchisee shall manage the Restaurant and its staff in compliance with all laws, the Manual and any other written or oral communication to Franchisee as prescribed by Franchisor. Franchisee agrees to abide by all employment laws, including, without limitation, Title VII of the Civil Rights Act, Family and Medical Leave Act, Americans with Disabilities Act, Consolidated Omnibus Budget Reconciliation Act, Fair Labor Standards Act, all state wage and hour laws, Internal Revenue Code and the immigration laws. Franchisor may from time to time provide information or training to assist Franchisee in gaining knowledge about applicable laws, but this does not in any way relieve Franchisee of its full responsibility and sole obligation to comply with such laws.

C. Franchisee shall honor all credit, charge, courtesy and cash cards that Franchisor approves in writing. To the extent Franchisee Restaurants, processes, transmits or otherwise accesses or possesses cardholder data in connection with the sale of products and services at the Restaurant, Franchisee is required to maintain the security of cardholder data and adhere to the then-current credit card security standards which can be found at [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org) for the protection of cardholder data throughout the Term of this Agreement. Franchisee is responsible for the security of cardholder data in its possession or control and the possession or control of any of its employees that Franchisee engages to process credit cards. At Franchisor's request, Franchisee agrees to provide appropriate documentation to Franchisor to demonstrate compliance by Franchisee and all its employees with the "Payment Card Industry Data Security Standard" ("PCI DSS") requirements. In the event of a breach or intrusion of or otherwise unauthorized access to cardholder data, Franchisee must immediately notify Franchisor in the manner required in the PCI DSS requirements and provide an approved third-party full access to conduct a thorough security review following a security intrusion. In the event of termination or expiration of this Agreement, Franchisee and its respective successors and permitted assigns shall ensure compliance with PCI DSS requirements even after expiration of this Agreement.

8.8 **Operational Efforts.** Franchisee (or the Operating Partner) shall apply its best, full-time efforts to the development, management and operation of the Restaurant and shall at all times, faithfully, honestly and diligently perform Franchisee's obligations as outlined in this Agreement. Franchisee may designate a Restaurant Manager to assist in the direct, day-to-day, supervision of the operations of the Restaurant. Franchisee (or the Operating Partner) and the Restaurant Manager must satisfactorily complete the Initial

Training Program and all additional training reasonably required by Franchisor. Franchisee agrees to keep Franchisor advised, in writing, of any manager involved in the operation of the Restaurant and their contact information. Franchisee agrees to keep the Restaurant opened for the hours stated in the Manual and as deemed appropriate by Franchisor.

8.9 **Good Standing.** Franchisee will be considered in “Good Standing” if Franchisee is not in default of any obligation to Franchisor or any of Franchisor’s affiliates, whether arising under this Agreement or any other agreement between Franchisee and Franchisor (or any of Franchisor’s affiliates), the Manual or other System requirements.

8.10 **Customer Complaints.** Franchisee must deal with complaints by customers of the Restaurant in accordance with procedures specified by Franchisor in the Manual and/or otherwise communicated to Franchisee by Franchisor. Such complaints must be satisfied within seven (7) days of being notified of the customer complaint. If Franchisee cannot promptly resolve a complaint by a customer to the reasonable satisfaction of the customer, Franchisee must immediately refer the complaint to Franchisor in writing and at the cost of the Franchisee, comply with any direction given by Franchisor to the Franchisee in dealing with the complaint.

8.11 **Media Inquiries and Crisis Situations.** Franchisee shall immediately notify Franchisor upon the occurrence of any situation that may have a material impact on Franchisee, Franchisor, the Kajiken Restaurant, or which could have a deleterious effect on the Kajiken brand, Marks, or System. Franchisee shall also notify Franchisor immediately when Franchisee receives any media inquiries concerning the Kajiken Restaurant or its location, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, and Franchisee shall direct all media inquiries to Franchisor. Neither Franchisee, Franchisee’s employees nor anyone on Franchisee’s behalf may comment to any broadcast medium about the System, except as directed by Franchisor. Franchisee shall follow all of Franchisor’s policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by the Franchisor or as specified in the Manuals, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters. Franchisor acknowledges that in certain cases Franchisee may be approached by media during, for example, an incident involving a fire or other disasters, and such impromptu comments are not intended to be prevented by this Section. Franchisee agrees that it will behave in a professional and courteous manner in any such impromptu interviews and will not discuss the System, but only the incident. Franchisee shall notify Franchisor at the first possible opportunity following the interview. Franchisee may not disseminate any press release unless it has been reviewed and approved in advance in writing by Franchisor.

## 9. ADVERTISING

9.1 **General.** All advertising and promotion by Franchisee shall be clear and factual and not misleading and shall conform to the highest standards of ethical advertising and to advertising and promotion policies prescribed from time to time by Franchisor. Franchisee shall not use any advertising or promotional materials that have not been approved by Franchisor in writing. Franchisee shall not enter into any agreement with any advertising agency without the prior written approval of Franchisor, which may be withheld in Franchisor’s discretion. Franchisee shall not advertise or use in advertising or in any other form of promotion the Marks of Franchisor without the Franchisor’s written approval or without appropriate “©” or “®” copyright and registration marks or the designations “TM” or “SM” where applicable. Franchisor may provide Franchisee with graphic designs, layouts and written copy for advertisements.

Franchisee will be responsible to pay production costs for each item such as camera- ready ad slicks and typesetting of specific ads for the Restaurant address. Franchisee is prohibited from advertising the Restaurant in any manner on the Internet, World Wide Web or through any other electronic means without the prior written consent from Franchisor.

9.2. **No Warranty.** Franchisor does not warrant or represent that any of the advertising or promotional activities, materials or campaigns will be successful or will achieve any particular result.

9.3 **Marketing Fund.**

A. Franchisor may establish and administer an advertising, publicity and marketing fund (the "Marketing Fund") to promote the Kajiken Restaurant Brand. When and if the Marketing Fund is established, Franchisee will be required to make a Marketing Fund Contribution, at Franchisor's discretion, of 0.5% to 3% of Franchisee's Gross Sales (as defined in Section 5.3) to the Marketing Fund. Franchisor will give Franchisee six (6) months' prior notice before Franchisee is required to make any Marketing Fund Contribution. Such Marketing Fund Contribution shall be payable to Franchisor weekly in the same manner and method as the Royalty Fee. Upon 30 days' notice to Franchisee, the Marketing Fund Contribution may be increased or decreased, at Franchisor's sole discretion, although no increase will require Franchisee to contribute more than 3% of its Gross Sales.

B. Franchisor has sole discretion over all matters relating to the Marketing Fund, and all related matters (consistent with its purposes and the provisions of this Agreement). The Marketing Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the Internet; administration expenses; legal fees incurred by or spent defending the Marketing Fund, brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future and the Brand; agency and consulting services; research, any expenses approved by Franchisor and associated with franchisee advisory groups (if any); and all or portions of the salaries, benefits or expenses of people Franchisor employs who work on Marketing Fund matters (except that such salaries, benefits or expenses will be charged pro rata based on the time they spend on Marketing Fund matters.) Among other things, Marketing Fund Contributions may be used for website development/operation and to pay Internet, Intranet, URL, 1-800 or similar number, and other charges, fees and/or expenses. A brief statement regarding the availability of Kajiken Restaurant Franchises may be included in advertising and other items produced using the Marketing Fund.

C. Franchisor and/or any affiliate can provide goods, services, materials, etc. (including administrative services and/or "in-house advertising agency" services) and be compensated and/or reimbursed for the same by the Marketing Fund, provided that any such compensation must be reasonable in amount. Franchisor can arrange for goods, services, materials, etc. (including administrative services) to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Marketing Fund.

D. The Marketing Fund will be accounted for separately and may be used to pay all administrative and other costs of the Marketing Fund related to its activities and purposes and/or as authorized by the relevant Franchise Agreements. All taxes of any kind incurred in connection with or related to the Marketing Fund, its activities, contributions to the Marketing Fund and/or any other Fund aspect, whether imposed on Franchisor, the Marketing Fund or any other related party, will be the sole responsibility of the Marketing Fund. Franchisor will prepare financial statements for the Marketing Fund

annually, which will be furnished to Franchisee upon written request. Such statements may be audited and any related accounting/auditing costs will be paid by the Marketing Fund. Funds in the Marketing Fund must be expended, prior to termination of the Marketing Fund, only for the purposes authorized by the relevant Franchise Agreement(s). No profit, gain or other benefit will directly accrue to Franchisor from the Marketing Fund. All interest earned on monies contributed to, or held in, the Marketing Fund will be remitted to the Marketing Fund and will be subject to the restrictions of the relevant Franchise Agreement(s).

E. Subject to the express requirements of this Agreement that contributions made by Franchisee will only be spent as authorized herein, Franchisee agrees that Franchisor may deny access to, and the benefits of, any and all programs and/or materials created by the Marketing Fund to any Kajiken Restaurant Franchisee who is not in Good Standing.

9.4 **Local Marketing/Advertising.** Local advertising is at the discretion of the Franchisee; provided, however, that (i) Franchisee agrees to spend a minimum of 1% of Franchisee's monthly Gross Sales for local advertising and promotional activities, and (ii) Franchisee agrees to participate at Franchisee's cost in all promotions designated by Franchisor for the market in which the Restaurant is located and shall be responsible for displaying all in-restaurant materials and the cost of products being promoted. When/If Franchisee's annual Gross Sales reach \$3,000,000, then Franchisee may decrease its local marketing and advertising expenditure to 0.5% of its Gross Sales. Franchisor will provide report forms that Franchisee must complete each month and send to Franchisor to demonstrate that Franchisee has fulfilled its monthly requirement for local advertising expenditures. Before Franchisee may utilize any advertising or promotional materials not prepared or previously approved by Franchisor, Franchisee must submit samples of such materials to Franchisor and Franchisor must approve both the sample and proposed placement. Franchisor reserves the right to increase the amount Franchisee is required to spend on local advertising and promotion to an amount not to exceed three percent (3%) of Gross Sales.

9.5 **Franchisee Marketing Group(s) ("Co-Ops").** Franchisor may decide to form one or more associations and/or sub-associations of Kajiken Restaurant Franchisees to conduct various marketing-related activities on a cooperative basis (a "Co-Op"). If one or more Co-Ops (local, regional and/or national) are formed covering Franchisee's area, then Franchisee must join and actively participate. Each Kajiken Restaurant will be entitled to one (1) vote, but in order to vote the Franchisee must be in Good Standing. Franchisee may be required to contribute such amounts as are determined from time to time by such Co-Ops.

9.6 **Grand Opening Advertising.** Franchisee agrees to spend, within ninety (90) days of the opening of the Restaurant for Grand Opening advertising, marketing and promotion (collectively, "Grand Opening Advertising") a minimum of One Thousand Dollars (\$1,000). Franchisor encourages Franchisee to spend up to Five Thousand Dollars (\$5,000) on the Grand Opening Advertising. The Grand Opening Advertising shall be in the form, and using the advertising and promotional campaign and materials, reasonably designated or approved by Franchisor.

9.7 **Limit on Advertising Expenditures.** Franchisor agrees not to require Franchisee to pay more than four percent (4%) of its Gross Sales for combined Local Marketing and Co-Op contributions, and no more than seven percent (7%) of its Gross Sales for combined Local Marketing, National Marketing and Co-Op contributions, as measured on an annual basis.

9.8 **Social Media Activities.** Franchisor has the right to establish, maintain, modify or discontinue all internet activities pertaining to the System, including through the use of a page or profile on a social media website such as Facebook, Instagram, TikTok, Twitter or Snapchat. Franchisee may have an online presence, through social media pages approved by Franchisor. If Franchisee wishes to create a social media page or profile for its Franchised Business, then it must first obtain Franchisor's prior written consent (which Franchisor may withhold in its business judgment). If Franchisor approves Franchisee's request to create a social media page or profile, then Franchisee acknowledges and understands that any content posted to any such approved page or profile must strictly comply with Franchisor's System standards and social media policy as set forth in the Manual. Franchisee agrees to provide Franchisor access (i.e., passwords) to all Franchisee's social media platforms that are related to the Restaurant, the franchise, and the Kajiken trademarks. To ensure brand uniformity, Franchisee must comply with the standards Franchisor develops for the System, in the manner Franchisor directs in the Manual or otherwise, with regard to Franchisor's authorization to use, and use of, blogs, common social networks (including "Facebook"), professional networks (including "LinkedIn"), live blogging tools (including "Twitter"), virtual worlds, file, audio and video sharing sites and other similar social networking media or tools (collectively, "Social Media") that in any way references the Marks or involves the System or your Business. Franchisee agrees to immediately remove any content that Franchisor, in its business judgment, deems to be in violation of Franchisor's System standards or social media policy. Franchisee also agrees, upon Franchisor's request, to provide Franchisor with the login ID and passwords for each social media page and profile that Franchisee creates to promote its Franchised Business. Franchisee further agrees that Franchisor shall have the right to use such login credentials to remove any content that Franchisor requested that Franchisee delete but which Franchisee failed to remove.

9.7 **Franchisee Advertising Council.** Franchisor reserves the right if necessary, and in Franchisor's sole judgment, to establish a Franchisee Advertising Council. The Franchisee Advertising Council will be composed of an elected body of franchisees for the purpose of providing Franchisor with input on advertising and marketing issues. The Franchisee Advertising Council will operate under its own by-laws and will be purely advisory in nature and will have no operational or decision-making authority.

## 10. FINANCIAL STANDARDS

10.1 **Records and Reports.** Franchisee shall maintain and preserve for four (4) years or such period as may be required by law (whichever is greater) from the date of their preparation such financial information relating to the Restaurant as Franchisor may periodically require, including without limitation, Franchisee's sales and use tax returns, register tapes and reports, sales reports, purchase records, and full, complete and accurate books, records and accounts prepared in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor. Franchisee shall maintain its financial books and records with standard business accounting software (e.g., QuickBooks) or use a professional bookkeeper. Franchisee shall provide Franchisor with weekly, monthly, quarterly and annual reports, including Gross Sales reports, balance sheets and income statements prepared in accordance with generally accepted accounting principles, as set forth in the Manual. If requested by Franchisor, monthly financial statements shall be delivered to Franchisor within twenty-one (21) days following the end of each month, and the year-end financial statements shall be delivered to Franchisor within sixty (60) days after the end of Franchisee's fiscal year. Each report and financial statement submitted by Franchisee shall be verified as correct and signed by Franchisee. Franchisee shall immediately report to Franchisor any events or developments that may have a material adverse impact on the operation of the Restaurant or Franchisee's performance under this Agreement. In addition, Franchisee shall submit to Franchisor copies of all sales tax and income tax returns relating to the Restaurant and of each of the

Principal Owners at the same time as the original is filed with the taxing authority. Franchisee agrees that its financial records shall be accurate and up to date at all times. Franchisee agrees to promptly furnish any and all financial information relating to the Restaurant to Franchisor on request.

**10.2 Right to Conduct Audit or Review.** Franchisor shall have the right, in its sole determination, to require a review by such representative(s) as Franchisor shall choose, of all information pertaining to the Restaurant including, without limitation financial records, books, tax returns, papers, and point-of-sale system of Franchisee at any time during normal business hours without prior notice for the purpose of accurately tracking unit and System-wide sales, sales increases or decreases, effectiveness of advertising and promotions, and for other reasonable business purposes. Such review will take place at the Restaurant, and Franchisee agrees to provide all information pertaining to the Restaurant requested by Franchisor during its review. If Franchisee has underpaid any fees or amounts due, Franchisee must immediately pay Franchisor the underpaid amounts plus interest from the date originally due until the date of payment, at the lesser of 1.5% interest per month, or the highest rate of interest allowed by law. If an audit is done because Franchisee failed to timely furnish reports, supporting records or other required information, or if the underpayment exceeds 2% of Franchisee's Gross Sales for any period covering the audit, Franchisee must also reimburse Franchisor for all costs of the audit including travel, lodging, wage expenses and reasonable accounting and legal expense. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law. Franchisor shall have the right to conduct an audit and/or review of all information pertaining to the Restaurant upon termination or expiration of this Agreement.

**10.3 Computer System, Equipment and Software.**

A. Franchisee must acquire a Computer System, including a computer and point-of-sale reporting system ("POS System") for use in the Restaurant. Franchisor does not currently have required specifications for the Computer System; however, Franchisor is in the process of reviewing POS Systems and plans to designate a POS System that Franchisee will be required to use in the operation of the Restaurant. Until Franchisor designates a specific POS System, Franchisee may use any computer(s), POS system and related hardware and software Franchisee desires, so long as the Computer System is sufficient to properly operate the Kajiken Restaurant, track Franchisee's sales, create reports, and meet Franchisor's reporting requirements. Franchisee's Computer System must be equipped with a high-speed connection to the Internet and must include a local area network with a dedicated server. The POS system Franchisee selects and uses must be able to set up various e-mail alerts, to generate detailed sales, inventory, product mix, employee performance, labor scheduling and payroll reports, and to record and report sales activities and gift card sales and redemption. The Computer System must also allow Franchisor to access or poll Franchisee's sales and operational activities. Once Franchisor has approved and designated a specific POS System for use in the operation of the Restaurant, Franchisor will give Franchisee written notice, which will include specifications for the designated and required POS System. Franchisee will have 90 days from the date of Franchisor's notice to install and begin using the designated POS system in the Restaurant. Franchisee shall be responsible for all costs related to acquiring and using the new POS System in the Restaurant.

B. Franchisee must upgrade and maintain the computer hardware and software and the POS System in the Restaurant as necessary or as may be required by Franchisor from time to time, and pay any fees associated with such upgrades.

C. Franchisor reserves the right to create and modify required specifications for the

Computer System used in the operation of the Kajiken Restaurants in the future to take advantage of technological advances or to adapt the System to meet operational needs and changes. Franchisor may require Franchisee to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with Franchisor's then-current standards for new Kajiken Restaurant franchises.

D. Franchisee agrees to record all of its receipts, expenses, invoices, customer lists, and employee schedules and other business information promptly in the Computer System. Franchisor reserves the right to change the Computer System, and the accounting, business operations, customer service and other software at any time. Franchisee is solely responsible for obtaining its own employee-scheduling software.

E. Data, including names, addresses, contact information, and credit card or payment information of customers of the Restaurant will be captured on the Computer System's software, and will become the joint property of Franchisee and Franchisor during the Term of this Agreement. Franchisee is solely responsible for ensuring that the capture of customer data is done in compliance with any and all local, state, and federal privacy laws. Franchisor will have independent access to information Franchisee generates and stores in the Computer System, including full and unrestricted administrative access to the business, tax, and accounting information. Franchisee will provide Franchisor with any passwords necessary to access the business information for the Restaurant that is stored on the software and online. Franchisor may use such information to communicate directly to the customers of the Restaurant and to provide updates, information, newsletters, and special offers to the customers. Upon expiration or termination of this Agreement, Franchisee shall have no further access or rights to the customer information and Franchisor shall be the sole owner of such information.

F. Obtaining and operating the Computer System and the POS system and software will be the Franchisee's responsibility and expense. Franchisee agrees to provide Franchisor with an e-mail address for communication.

G. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 10.3 was periodically revised by Franchisor for that purpose.

H. Franchisee is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and cyber-attacks by hackers and other unauthorized intruders, and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures, or attacks.

I. Franchisee agrees to take all reasonable and prudent steps necessary to ensure that its and its customers' data is protected at all times from unauthorized access or use by a third party or misuse, damage or destruction by any person.

J. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies

Franchisor periodically may establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Restaurant.

10.4 **Gift Card Program.** Franchisee agrees to participate in any gift card program instituted by Franchisor for all Kajiken Restaurant Franchisees to sell, issue, or redeem gift cards (the “Gift Card Program”). Franchisee shall sell or otherwise issue Kajiken Restaurant gift cards to its customers and honor all Kajiken Restaurant gift cards presented at the Restaurant as payment for products and services, regardless of whether the gift card was sold or issued by Franchisee or another Kajiken Restaurant. When Franchisee sells or issues a gift card, Franchisee will keep the amount paid in its account until the gift card is redeemed. Franchisor will reconcile Franchisee’s account with Franchisor by: (1) crediting Franchisee for the full value of all gift card transactions redeemed by Franchisee weekly from other Kajiken Restaurants that issued the gift cards; and/or (2) debiting Franchisee for the full value of each gift card sold at the Restaurant but redeemed at a different location. Franchisee will pay Royalties on sales paid by redeemed gift cards in the Restaurant. Kajiken Restaurant gift cards have no expiration date; therefore, Franchisee will remain liable for each gift card sold at the Restaurant upon it is redeemed for an undetermined amount of time. If this Agreement is terminated and not renewed, Franchisee must pay Franchisor the full value of any outstanding gift cards sold at the Restaurant that were not redeemed before the termination of this Agreement.

10.5 **Insurance.**

A. Prior to the opening for business of the Restaurant and throughout the entire term of this Agreement, Franchisee will keep in force at Franchisee's own expense and by advance payment of the premium, the following insurance coverage:

(1) Worker’s compensation, employer’s liability, and such insurance to meet statutory requirements;

(2) Commercial General Liability Insurance, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; insuring Franchisee and Franchisor 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 on or about or otherwise relating to the Restaurant including general aggregate coverage in the following limits:

| <b><u>Required Coverage</u></b>             | <b><u>Minimum Limits of Coverage</u></b> |
|---|--|
| General Aggregate                           | \$2,000,000                              |
| Products/Completed Operations Aggregate     | \$2,000,000                              |
| Personal and Advertising Injury             | \$1,000,000                              |
| Each Occurrence                             | \$1,000,000                              |
| Damage to Rented Premises (each occurrence) | \$100,000                                |
| Medical Expense (any one person)            | \$2,500                                  |

(3) “ALL RISK” or special property coverage of not less than current replacement cost of the Restaurant’s glass, equipment, fixtures and leasehold improvements sufficient in the amount to restore the Restaurant to full operations; and

(4) Business interruption insurance with coverage for at least twelve (12) months for actual losses; (For purposes of this Agreement, "Gross Sales shall include any proceeds received by Franchisee in connection with a "business interruption" insurance claim).

(5) If Franchisee has company-owned vehicles (e.g., van, food truck, etc.), automobile liability insurance for owned and non-owned automobiles including personal injury, wrongful death, and property damage with single limit coverage of at least One Million Dollars (\$1,000,000).

(6) Cyber Liability Insurance with a minimum coverage amount as set forth in the Manual and/or as otherwise determined by Franchisor and communicated to Franchisee.

B. The insurance policies described above are minimum requirements and Franchisee may purchase and maintain additional insurance policies or insurance policies with greater coverage limits.

C. All insurance policies must be written by an insurance company licensed in the state in which Franchisee operates the Restaurant. The insurance company must have at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide.

D. Franchisor reserves the right from time to time to upgrade the insurance requirements as to policy limits, deductibles, scope of coverage, rating of carriers, etc. Within sixty (60) days of receipt of notice from Franchisor, Franchisee agrees to revise its coverage, as specified in any notice from Franchisor.

E. Franchisee's obligation to obtain and maintain the forgoing insurance policy or policies in the amounts specified shall not be limited by reason of any insurance that may be maintained by Franchisor nor relieve Franchisee of liability under the indemnity provisions set forth in this Agreement. Franchisee's insurance procurement obligations under this Section 10.5 are separate and independent of Franchisee's indemnity obligations.

F. Additional Insured Endorsement. All insurance shall name Franchisor as an additional insured, waive any subrogation rights or other rights to assert a claim back against Franchisor and shall contain a clause requiring notice to Franchisor thirty (30) days in advance of any cancellation or material change to any such policy. The "Additional Insured Endorsement" must be approved in writing by Franchisor and name Franchisor and its respective officers, directors, partners, members, affiliates, subsidiaries and employees as additional insureds. Additional insured status shall include, without limitation, coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20 26 or any other form approved in writing by Franchisor that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) the negligent acts, errors or omissions of Franchisor or other additional insureds. Franchisee shall maintain such additional insured status for Franchisor on its general liability policies continuously during the term of this Agreement.

G. The insurance policies described above are minimum requirements and Franchisee may purchase and maintain additional insurance policies or insurance policies with greater coverage limits. Franchisee shall provide Franchisor with copies of certificates of coverage, insurance policy endorsements, and other evidence of compliance with these requirements, at least annually, or as Franchisor periodically requires. Franchisee's failure to obtain or the lapse of any of the required insurance coverage shall be grounds for the immediate termination of this Agreement pursuant to

Paragraph 15.2, and Franchisee agrees that any losses, claims or causes of action arising after the lapse of or termination of insurance coverage will be the sole responsibility of Franchisee and that Franchisee will hold Franchisor harmless from all such losses, claims and/or causes of action. In addition, but not to the exclusion of the foregoing remedy, if Franchisee fails to procure or maintain the required insurance, Franchisor shall have the right and authority, but not the obligation, to procure immediately the insurance and Franchisee shall reimburse Franchisor for the cost of the insurance plus reasonable expenses immediately upon written notice. Franchisee is required to submit to Franchisor a copy of a Certificate of Insurance, with Franchisor as an additional insured, showing compliance with the foregoing requirements at least thirty (30) days before Franchisee commences operation of the Restaurant. Franchisor shall have a security interest in all insurance proceeds to the extent Franchisee has any outstanding obligations to Franchisor.

## **11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION**

11.1 **Independent Contractor.** The only relationship between Franchisor and Franchisee created by this Agreement is that of independent contractor, that the business conducted by Franchisee is completely separate and apart from any business that may be operated by Franchisor and that nothing in this Agreement shall create a fiduciary relationship between them or constitute either party as agent, legal representative, subsidiary, joint venturer, partner, employee, general contractor, servant or fiduciary of the other party for any purpose whatsoever. Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from Franchisor, and Franchisee agrees to take such action including exhibiting a notice to that effect in such content, form and place as Franchisor may specify. It is further specifically agreed that Franchisee is not an affiliate of Franchisor and that neither party shall have authority to act for the other in any manner to create any obligations or indebtedness that would be binding upon the other party. Neither party shall be in any way responsible for any acts and/or omissions of the other, its agents, servants or employees and no representation to anyone will be made by either party that would create an implied or apparent agency or other similar relationship by and between the parties.

11.2 **Indemnification.** Franchisee shall indemnify, defend and hold harmless Franchisor, its current and former affiliates, and their respective officers, directors and employees against any and all suits, claims, liabilities, costs and expenses, including, without limitation, attorneys' fees in any way relating to, arising out of or in conjunction with Franchisee's or Franchisee's employees' actions or inaction of the franchised business licensed hereunder. Franchisor reserves the right to appoint its own attorney. Franchisee waives and releases all claims against Franchisor for damages to property or injuries to persons arising out of the operation of the Restaurant, including any such claims currently unknown to Franchisee and arising at any time during the term of this Agreement.

## **12. CONFIDENTIAL INFORMATION**

### **12.1 Franchisor's Confidential Information.**

A. Franchisee acknowledges and agrees that all information relating to the System and to the development and operation of the Restaurant, including, without limitation, the Manual, Franchisor's training program, customer and supplier lists, recipes, or other information or know-how distinctive to Kajiken Restaurant (all of the preceding information is referred to herein as the "Confidential Information") are considered to be proprietary and trade secrets of Franchisor. Franchisee agrees that all Confidential Information is to be held in the strictest of confidence during and after the term of this

Agreement and is not to be divulged to anyone directly or indirectly at any time, except to the Restaurant's employees with a need to know the information in order to operate the Restaurant. Franchisee shall not acquire any interest in the Confidential Information other than the right to utilize it in the Restaurant and agrees not to copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise make them available to any unauthorized person, nor use them in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee shall adopt and implement all reasonable procedures to prevent unauthorized use, duplication or disclosure of Franchisor's Confidential Information. If Franchisee or Franchisee's employees learn about an unauthorized use of any trade secret or confidential materials, Franchisee must promptly notify Franchisor. Franchisor is not obligated to take any action but will respond to the information as it deems appropriate. If Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, the doctrine of "inevitable disclosure" will apply, and it will be presumed that Franchisee is in violation of this covenant; and in such case, it shall be Franchisee's burden to prove that Franchisee is not in violation of this covenant.

B. Franchisee agrees that any new concept, process or improvement in the operation or promotion of the Restaurant developed by or on behalf of Franchisee that relates to or enhances the System, or any aspect of Franchisor's business, shall be the sole property of Franchisor, and Franchisee shall promptly notify Franchisor and shall provide Franchisor with all necessary information and execute all necessary documents with respect thereto, without compensation. Franchisee acknowledges that Franchisor may utilize or disclose such information to other Franchisees.

12.2 **No Other Interests.** Franchisee further acknowledges that Franchisor would be unable to protect its Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among the if Franchisor's Franchisees were permitted to hold an interest in other similar businesses and otherwise to compete with Franchisor. Therefore, during the term of this Agreement, Franchisee must comply with the competitive covenant provisions of Article 13 herein.

12.3 **Injunctive Relief.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of this Article 12. Franchisee acknowledges and agrees that any failure to comply with the requirements of this Article 12 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to injunctive relief as specified in Section 16.2 herein to enforce the terms of this Article 12. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor in connection with the enforcement of this Article 12. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

### 13. COVENANTS NOT TO COMPETE

13.1 **Non-Competition Covenants of Franchisee.** To prevent a conflict of interest and unfair competition based upon Franchisee's knowledge and use of the System, Marks, and other Confidential Information, Franchisee, including all officers, directors, holders of beneficial interests of Franchisee, members, general partners, any limited partners and their respective spouses and immediate family members, covenant and agree, pursuant to this Agreement, that Franchisee, shall not without Franchisor's prior written consent, directly or indirectly, as an individual, owner, partner, stockholder, member, employer, employee, consultant, or in any other capacity, participate in or share the earnings or profit of any business (except through Franchisee's ownership of publicly-traded securities) that offers

or sells Japanese or ramen cuisine, or any similar business offering products of a similar nature to those of Kajiken Restaurants or any concept (including, but not limited, to Kajiken Restaurants) franchised or owned and operated by Franchisor, its parent, or any of its affiliates, or in any business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses: (i) during the term of this Agreement and any extensions or renewals, at any location other than the Restaurant; (ii) for two (2) years after the expiration, termination or non-renewal (by Franchisor or by Franchisee for any reason) of this Agreement anywhere within a five (5) mile radius of the Restaurant location licensed under this Agreement or of any concept (including, but not limited, to Kajiken Restaurants) franchised or owned by Franchisor, its parent, or any of its affiliates; and (iii) for two (2) years after Franchisee has assigned its interest in this Agreement anywhere within a five (5) mile radius of the Restaurant location licensed under this Agreement or of concept (including, but not limited to, Kajiken Restaurants) franchised or owned and operated by Franchisor, its parent, or any of its affiliates.

13.2 **Franchisor's Right to Offer or Sell a Franchise to Employee of Franchisee.** Franchisee acknowledges and agrees that Franchisor has the right to offer to sell or to sell a Kajiken Restaurant franchise to any employee of Franchisee.

13.3 **Covenants of Affiliates of Franchisee.** Upon Franchisor's request, Franchisee shall require the following persons to execute covenants, in the form attached hereto as Exhibit 4, similar to those set forth in this Article 13 (including covenants applicable upon the termination of a person's relationship with Franchisee): (1) all managers and field operations supervisors of Franchisee; (2) all officers, directors, members, partners, general partners, limited partners and holders of a beneficial interest of Franchisee; and (3) the spouse of each such person.

13.4 **Enforcement of Covenants.**

A. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of the covenants in this Article 13. Franchisee acknowledges and agrees that in view of the nature of the System and the business of Franchisor, the restrictions contained in this Article 13 are reasonable and necessary to protect the legitimate interests of System and Franchisor. Franchisee further acknowledges and agrees that Franchisee's violation of the terms of this Article 13 will cause irreparable injury to Franchisor for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to preliminary and permanent injunctive relief and damages, as well as, an equitable accounting of all earnings, profits, and other benefits arising from such violation, which remedies shall be cumulative and in addition to any other rights or remedies to which Franchisor shall be entitled. Franchisee agrees to waive any bond that may be required or imposed in connection with the issuance of any preliminary or provisional relief. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, (and interest on such fees, costs, and expenses) incurred by Franchisor in connection with the enforcement of this Article 13. If Franchisee violates any restriction contained in this Article 13, and it is necessary for Franchisor to seek equitable relief, the restrictions contained herein shall remain in effect until two (2) years after such relief is granted. If Franchisee contests the enforcement of Article 13 and enforcement is delayed pending litigation, and if Franchisor prevails, the period of non-competition shall be extended for an additional period equal to the period of time that enforcement of this Article 13 is delayed.

B. Franchisee agrees that the provisions of this covenant not to compete are reasonable. If, however, any court should find this Article 13 or any portion of this Article 13 to be unenforceable and/or

unreasonable, the court is authorized and directed to reduce the scope or duration (or both) of the provision(s) in issue to the extent necessary to render it enforceable and/or reasonable and to enforce the provision so revised.

C. Franchisor shall have the right, in Franchisor's discretion, to reduce the scope of any covenant not to compete set forth in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply with any covenant as so modified.

## 14. TRANSFER OF INTEREST

14.1 **Franchisor's Approval Required.** All rights and interests of Franchisee arising from this Agreement are personal to Franchisee and except as otherwise provided in this Article 14, Franchisee shall not, without Franchisor's prior written consent, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, pledge or encumber its interest in this Agreement, in the license granted hereby, in the assets of the Restaurant, any of its rights hereunder, or in the lease for the premises at which the Restaurant is located, and any purported sale, assignment, transfer, pledge or encumbrances shall be null and void. If Franchisee is a corporation, limited liability, partnership, or an individual or group of individuals, any assignment (or new issuance), directly or indirectly, occurring as a result of a single transaction or a series of transactions that alters the Percentage of Ownership Interest reflected in Section 17.7 of this Agreement must promptly be reported to Franchisor and is a "transfer" within the meaning of this Article 14.

### 14.2 **Franchisor's Right of First Refusal.**

A. No transfer by Franchisee shall be permitted nor be binding on Franchisor unless a written offer has been made to Franchisor of the proposed transfer. Franchisee shall provide Franchisor the following: (i) a purchase agreement or letter of intent signed by the proposed transferee and by Franchisee specifying all the terms and conditions of the offer, (ii) the name, address and telephone number of the proposed assignee, (iii) a copy of the most recent income statement and the income statement from the Restaurant's last fiscal year end, (iv) financial statements of the proposed transferee, and (v) any other information or documents as may be reasonably be requested by Franchisor. Franchisor shall have thirty (30) days from receipt of all of the above information to accept the offer, by written notice to Franchisee, upon the same terms and conditions offered by the proposed transferee.

B. In the event that Franchisor does not exercise its right of first refusal and the offer changes in any way, or another offer is made to Franchisee, this new offer must also be presented to Franchisor. Franchisor has thirty (30) days to accept the new offer, by written notice to Franchisee, upon the same terms and conditions offered by the proposed transferee. Any offer that Franchisor does not match must be transacted within ninety (90) days from the date that Franchisor informs Franchisee of its intent not to exercise its right of first refusal. If the transaction does not take place within ninety (90) days, Franchisor has the right to re-evaluate and match the offer if it elects to do so by notice to Franchisee.

14.3 **Conditions for Approval of Transfer.** If the required offer has been made and the offer has not been accepted by Franchisor within the acceptance period, Franchisor shall not unreasonably withhold its approval of the transfer, provided that the prospective transferee, in Franchisor's reasonable judgment, is of good moral character and reputation, has no conflicting interests, has a good credit rating and

sufficient and competent business experience, aptitude and financial resources acceptable to Franchisor's then current standards for franchisees, will devote best efforts to management of the Restaurant, and further provided that the Franchisor shall require that the following conditions be met prior to or concurrently with the effective date of the transfer:

- A. The transferee shall be approved in writing by Franchisor;
- B. The transfer is upon terms and conditions that are not more favorable to the transferee than the terms and conditions offered to Franchisor;
- C. Franchisee shall have satisfied all outstanding obligations, monetary or otherwise, of Franchisee to Franchisor and its affiliates;
- D. Franchisee shall have substantially complied with all of the terms and conditions of this Agreement and any amendments hereof, and is not in default of any provision of this Agreement;
- E. Franchisee, including all its shareholders, members or partners shall execute and deliver to Franchisor a general release, in a form prescribed by Franchisor, of all claims against Franchisor and its affiliates, officers, directors, shareholders, members, and their employees in their corporate and individual capacities;
- F. If required by lease, the Lessor of the premises of the Restaurant has consented to Franchisee's transfer or sublease of said premises, a copy of which consent shall be provided to Franchisor (which lease shall continue to have the riders or addenda protecting Franchisor's interest, as set forth in Section 7.2);
- G. At the time the proposed transfer is first presented to Franchisor for approval or disapproval, Franchisee shall pay Franchisor a transfer fee ("Transfer Fee"), which will be used to defray expenses incurred by Franchisor in connection with the transfer, including without limitation, legal and accounting fees, overhead, credit and other investigation charges and evaluation of the transferee and terms of the transfer. The Transfer Fee varies by the type of transfer as follows: (i) a transfer to a new franchisee is 70% of the then-current Initial Franchise Fee; (ii) for a transfer to an existing franchisee, it is 40% of the then-current Initial Franchise Fee; and (iii) for transfers of shares/interest in a business entity to a new franchisee, the fee is \$2,300. Franchisor does not charge a fee for transfers to an entity wholly owned by Franchisee. The Transfer Fee is not refundable.
- H. Franchisee, including all its shareholders, members or partners shall execute an indemnity agreement regarding Franchisee's operations prior to the transfer and a confidentiality and non-competition covenant in favor of Franchisor and transferee in accordance with the provisions of Articles 12 and 13 herein, effective the date of the assignment;
- I. Franchisee shall enter into an agreement with Franchisor agreeing to subordinate any obligations which transferee owes to Franchisee to the obligations which transferee owes to Franchisor, including, without limitation, any Royalty Fees and Marketing Fund Contributions;
- J. Franchisee and transferee may not create a security interest in any of the assets of the Restaurant to be executed by the prospective transferee, unless the secured party agrees that in the event

of a default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee;

K. Prior to the closing of the sale to the transferee, the transferee, and other individual(s) who will be supervisory or managerial personnel of the Restaurant must attend and satisfactorily complete Franchisor's Initial Training Program (as specified in Section 6.3 of this Agreement) at a time and place designated by Franchisor, at the prospective transferee's sole cost and expense;

L. The transferee shall execute, for a term ending on the expiration date of this Agreement, Franchisor's then current standard form Franchise Agreement, which may materially differ from the terms of this Agreement; provided; however, that transferee shall not be required to pay an Initial Franchise Fee and that the Restaurant provided for in this Agreement shall remain the same;

M. The transferee, including all current and future shareholders, members or partners that will become the new Franchisee shall personally guarantee performance of the Franchise Agreement in a form prescribed by Franchisor;

N. The transferee, at its expense, shall upgrade, refurbish and repair the Restaurant as Franchisor may prescribe to conform to then-current standards and specifications of the System and shall complete the upgrade, refurbish and repair within a time specified by Franchisor; and

O. If transferee is a corporation or limited liability company, transferee shall have:

(1) All stock certificates representing shares in the corporation or evidence of ownership in the limited liability company, whichever is applicable, clearly indicating that they are subject to the terms of this Agreement;

(2) No new common or preferred voting shares in the corporation or similar interests in the limited liability company, whichever is applicable, can be issued to any person, trust, foundation, corporation or other entity without Franchisor's prior written approval;

(3) All shareholders, officers, directors and any beneficial owners of the transferee corporation, or all members or beneficial owners of the transferee limited liability company, whichever is applicable, must personally guarantee the corporation's or limited liability company's performance of its obligations under the Franchise Agreement;

(4) Transferee shall provide Franchisor with a copy of the fully-executed legal documents that reflect the formation of the business entity, including evidence of distribution of ownership; and

(5) Regardless of the foregoing, nothing contained herein shall be construed to permit Franchisee to disclose any Confidential Information to a prospective transferee without the express written consent of Franchisor.

**14.4 Permitted Transfers to a Corporation or Limited Liability Company.** If Franchisee is an individual or partnership, and desires to assign and transfer its rights, assets and obligations under this Agreement to a corporation or limited liability company that is wholly-owned by Franchisee and formed for the convenience of ownership, it may if the following conditions are met:

A. Franchisee obtains Franchisor's prior written consent on Franchisor's form and execute Franchisor's form of general release in favor of Franchisor;

B. Franchisee's corporation or limited liability company is newly organized and its activities are confined exclusively to acting as a Kajiken Restaurant Franchisee under this Agreement;

C. Franchisee is in full compliance with this Agreement;

D. Franchisee is current in meeting all financial obligations to Franchisor and its affiliates;

E. Franchisee shall own and control all of the equity and voting power of all issued and outstanding stock of the transferee corporation or all of the equity and voting power of the limited liability company and, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the corporation or limited liability company as he or she had in Franchisee prior to the transfer;

F. Franchisee actively manages the corporation or limited liability company and continues to devote his best efforts to the development and operation of the license and the business of the Restaurant;

G. Franchisee executes a written assignment to said transferee corporation or limited liability company, and Franchisee and all shareholders of the transferee corporation or all members of the limited liability company, execute a document in a form prescribed by Franchisor in which they agree to remain jointly and severally liable for full payment and performance and all obligations under this Agreement;

H. Franchisee submits to Franchisor a copy of Franchisee's Articles of Incorporation, partnership documents, operating agreement, bylaws, or a copy of those fully-executed legal documents that reflect the formation of such entity, including evidence of distribution of ownership. Franchisee must also provide Franchisor with a certificate of good standing from the state where Franchisee's entity is formed;

I. No new common or preferred voting shares in said corporation, or any similar interests in said limited liability company, whichever is applicable, are issued to any person, partner, partnership, trust, foundation, corporation, limited liability company or other entity of any kind without Franchisor's prior written consent, which consent will not be unreasonably withheld, and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the stock or membership interests, whichever is applicable; and

J. The corporate or limited liability company name of Franchisee's business entity may not include the word "Kajiken" or any of the Marks licensed under this Agreement.

K. If all of the above conditions are met and transfer to said corporation or limited liability company is approved by Franchisor, the Transfer Fee shall be waived in this transaction only.

14.5 **Death or Disability of Franchisee.** In the event of the death or disability of Franchisee, if an individual, or of a stockholder of a corporate Franchisee, or of a partner of a Franchisee which is a partnership, or a member of a Franchisee which is a limited liability company, the transfer of Franchisee's

or the deceased stockholder's, partner's or member's interest in this Agreement to his or her heirs, trust, personal representative or conservators, as applicable, must occur within six (6) months of the death or disability, but, shall not be deemed a transfer by Franchisee (provided that the responsible supervisory or managerial personnel or agents of Franchisee have satisfactorily completed the Initial Training Program) nor obligate Franchisee to pay any Transfer Fee (provided, however, the then-current additional training fee shall be payable if there is to be new management of the Restaurant who have not previously received the initial training provided by Franchisor) nor give rise to Franchisor's right of first refusal, although such refusal right or obligation to pay shall apply to any proposed transfer by such heirs, trust, personal representative or conservators; provided however, if Franchisor determines (i) there is no imminent transfer to a qualified successor or (ii) there is no heir or other principal person capable of operating the Restaurant, Franchisor shall have the right, but not the obligation, to immediately appoint a manager and commence operating the Restaurant on behalf of Franchisee. Franchisee shall be obligated to and shall pay to Franchisor all reasonable costs and expenses for such management assistance, including without limitation, the manager's salary, room and board, travel expenses and all other related expenses of the Franchisor appointed manager. Operation of the Restaurant during any such period shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee or its owners for any debts, losses or obligations incurred by the Restaurant, or to any creditor of Franchisee for any supplies, inventory, equipment, furniture, fixtures or services purchased by the Restaurant during any period in which it is managed by a Franchisor appointed manager. Franchisor may, in its sole discretion, extend the six (6) month period of time for completing a transfer contemplated by this Section.

**14.6 Relocation.** Upon Franchisor's prior written consent, Franchisee may relocate the Restaurant within the Protected Area during the Term at Franchisee's own expense if:

- A. without the fault of Franchisee, the lease or sublease terminates prior to the expiration of the Term or the premises are, in the sole opinion of Franchisor, damaged, condemned or otherwise rendered unusable;
- B. Franchisee is released by the Lessor from all of its obligations to the Lessor of the premises and the Lessor releases any security held;
- C. Franchisee secures a lease or sublease for suitable substitute premises (the "Alternative Authorized Location") for operation of the Restaurant on terms and conditions suitable to Franchisor in its absolute discretion;
- D. the Alternative Authorized Location is fitted out at the cost of Franchisee and otherwise in accordance with Sections 7.1 and 7.3, above; and
- E. Franchisee must execute a general release in the form and substance satisfactory to Franchisor.

Franchisor will consent to or reject Franchisee's relocation application in accordance with Franchisor's then-current relocation and closure policy. If the Restaurant is temporarily closed pending relocation, Franchisee may not assign any interest in the franchise to another party or entity until such time as the Restaurant is once again in operation, as determined by Franchisor. Any such relocation shall be at Franchisee's sole expense and Franchisor shall have the right to charge Franchisee for any costs incurred by Franchisor, and a reasonable fee for its services, in connection with any such relocation.

If Franchisor does not approve any Alternative Authorized Location or if Franchisee is unable to negotiate a new lease or sublease pursuant to Section 6.1 of this Agreement within ninety (90) days after the Restaurant ceases to operate from the Authorized Location, Franchisor may terminate this Agreement by written notice to Franchisee. Franchisor is not required to pay any compensation to Franchisee or any other person in respect of the termination.

14.7 **Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations herein to any person or legal entity, directly or indirectly, by merger, assignment, pledge or other means.

## 15. DEFAULT AND TERMINATION OF AGREEMENT

15.1 **Termination of Franchise by Franchisee.** If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure or remedy such breach within ninety (90) days after written notice thereof delivered from Franchisee, Franchisee may terminate this Agreement. Such termination will be effective thirty (30) days after delivery to Franchisor of notice that such breach has not been cured or remedied and Franchisee elects to terminate this Agreement. A termination by Franchisee for any other reasons shall be deemed a termination by Franchisee without cause.

15.2 **Termination of Franchise by Franchisor.** Franchisor shall have the right to terminate this Agreement for “good cause” upon delivering notice of termination to Franchisee. For purposes of this Agreement, “good cause” shall include, without limitation: (1) a material breach of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor’s affiliates, (2) intentional, repeated or continuous breach of any provision of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor’s affiliates, and (3) the breaches set forth below:

A. **Immediate Termination.** Franchisee shall be deemed to be in default and Franchisor may terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, and such termination shall be for good cause where the grounds for termination are:

(a) Franchisee has made any material misrepresentation or omission in applying for the franchise or in executing or performing under this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor’s affiliates;

(b) Franchisee becomes insolvent by reason of Franchisee’s inability to pay debts as they become due, or makes an assignment for the benefit of creditors or makes an admission of Franchisee’s inability to pay obligations as they become due;

(c) Franchisee files a petition in bankruptcy, or an involuntary petition in bankruptcy is filed against Franchisee or a receiver is appointed for Franchisee's business, or a final judgment remains unsatisfied or of record for 30 days or longer; or if Franchisee is a corporation, limited liability company or partnership, Franchisee is dissolved;

(d) Franchisee voluntarily abandons or discontinues to actively operate the Restaurant for two (2) business days or more in any twelve (12) month period, and it is readily apparent that Franchisee has closed or abandoned the Restaurant and has discontinued operations;

(e) Franchisee or any of its principal officers, directors, partners or managing members is convicted of or pleads no contest to a felony or other crime or offense that adversely affect the reputation of the System or the goodwill associated with the Marks;

(f) Franchisee makes an unauthorized direct or indirect transfer or attempted or purported transfer of this Agreement, or makes an unauthorized direct or indirect transfer or attempted or purported transfer of an ownership interest in the Franchise, or fails or refuses to transfer the Franchise or the interest in the Franchise of a deceased or disabled controlling owner thereof as required;

(g) Franchisee falsifies any financial reports or records required to be provided by Franchisee to Franchisor under this Agreement;

(h) Franchisee's disclosure, utilization, or duplication of any portion of the System, the Manual or other proprietary or Confidential Information relating to the Restaurant that is contrary to the provisions of this Agreement;

(i) Franchisee violates any health or safety law, ordinance or regulation or operates the Restaurant in a manner that presents a health or safety hazard to its customers or to the public;

(j) Franchisee fails to obtain lawful possession of an acceptable location and to open for business as a Kajiken Restaurant within twelve (12) months after this Agreement is accepted by Franchisor;

(k) Franchisee defaults under the lease agreement or otherwise loses the right to possess the premises at the location at which the Restaurant is located;

(l) Franchisee fails to comply with the covenants not to compete as required in Article 13 herein; or

(m) Franchisee, after curing a default pursuant to Section 15.2 B. herein, commits the same act of default again within any twelve (12) consecutive month period whether or not such default is cured after notice thereof is delivered to Franchisee, or if Franchisee received three (3) or more default notices from Franchisor within any twelve (12) consecutive monthly period whether or not such defaults were related to the same problem or were cured after notice thereof was delivered to Franchisee.

**B. Termination with Notice.** In addition to the provisions of Section 15.2 A., if Franchisee shall be in default under the terms of this Agreement and the default shall not be cured or remedied (to Franchisor's satisfaction) within thirty (30) days after receipt of written notice from Franchisor (and 10 days prior notice in the event of a default described in Subsections (f), (g) and (h) below), in addition to all other remedies available to Franchisor at law or in equity, Franchisor may immediately terminate this Agreement. If any such default is not cured within the specified cure period, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of the cure period. Franchisee shall be in default, and each of the following shall constitute good cause for termination under this Agreement:

- (a) Failure, refusal or neglect by Franchisee to obtain Franchisor's prior written approval or consent any time such approval or consent is required by this Agreement;
- (b) The commission by Franchisee of any act or practice that impairs or imminently threatens to impair the goodwill associated with the Marks, as determined by Franchisor;
- (c) Franchisee's failure to comply with any provision of this Agreement that does not otherwise provide for immediate termination, or failure to comply with the Manual, or Franchisee's bad faith in carrying out the terms of this Agreement;
- (d) Failure by Franchisee to maintain books and financial records for the Restaurant suitable for proper financial audit or failure by Franchisee to permit Franchisor to carry out its rights to conduct an inspection or audit as provided in this Agreement or failure by Franchisee to submit as required by this Agreement all reports, records and information of the Restaurant;
- (e) Franchisee and, if Franchisee has elected not to directly supervise "on-premises" the day-to-day Restaurant operations, Franchisee's supervisory or managerial personnel fail to complete, to Franchisor's satisfaction, the initial training program as provided in this Agreement;
- (f) Franchisee fails to pay when due any amount owing to Franchisor or its affiliates under this Agreement or any other agreement, or is unable to obtain adequate financing to cover all costs of developing, opening and operating the Restaurant;
- (g) Franchisee fails to pay when due any amounts owing to any person or entity in connection with the construction, leasing, financing, operation or supply of the Restaurant;
- (h) Franchisee closes any bank account from which Franchisor has set up electronic debit without completing all of the following forthwith after such closing: (i) immediately notifying Franchisor thereof in writing, (ii) immediately establishing another bank account, and (iii) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by electronic funds transfer as this Agreement permits;
- (i) Franchisee fails to maintain or suffers cancellation of any insurance coverage required under this Agreement;
- (j) Any transfer or attempted transfer by Franchisee or any partner, member or shareholder in Franchisee of any rights or obligations under this Agreement to any third party without the prior written consent of Franchisor;
- (k) Franchisee fails to obtain execution of the confidentiality and non-competition covenants as required in Articles 12 and 13 herein;
- (l) Franchisee fails to execute any exhibits, addendum, attachments, or agreements to this Agreement requiring Franchisee's signature;
- (m) Franchisee offers in conjunction with the operation of the Restaurant products or services that have not been approved by Franchisor;

(n) If Franchisee, by act or omission, permits a continued violation in connection with the operation of the Restaurant of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief there from;

(o) Franchisee fails to comply with any provisions, standards or procedures prescribed by Franchisor in the Manual or otherwise in writing; or

(p) Franchisee failures to abide by the pertinent marketing and advertising requirements and procedures and participate in marketing programs for the business as established by Franchisor.

15.3 **Cross-Default.** If there are now, or hereafter shall be, other Franchise Agreements or any other agreements in effect between Franchisee and Franchisor and/or any of Franchisor's affiliates, a default by Franchisee under the terms and conditions of this or any other such agreement, shall at the option of Franchisor, constitute a default under all such agreements.

15.4 **State Laws.** Notwithstanding anything to the contrary in this Article 15, in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected shall be amended only to the extent necessary to bring it within the requirements of the law or regulation.

15.5 **Subsequent Defaults.** The description of any default in any notice served by Franchisor hereunder upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination thereof.

15.6. **Obligations of Franchisee Upon Termination, Expiration or Non-Renewal.**

A. **Payment of Amounts Owed to Franchisor.** Franchisee agrees to pay to Franchisor and its affiliates within ten (10) days after the effective date of termination or expiration of the Franchise, such Royalty Fees, Marketing Fund Contributions, amounts owed for products purchased by Franchisee from Franchisor and its affiliates, and all other amounts owed to Franchisor and its affiliates which are then unpaid, including any interest and late fees due pursuant to this Agreement as provided in Section 5.6.

B. **Return of Manuals.** Franchisee agrees that upon termination, expiration, or non-renewal of the Franchise, it will immediately return to Franchisor all copies of the Manual for the Restaurant which have been loaned to it by Franchisor.

C. **Discontinue Use of Intellectual Property, Confidential Information and Trade Dress.** Upon termination or expiration of the Franchise, Franchisee shall have no further rights to use, in any manner, the System or the Marks. Franchisee agrees to immediately and permanently discontinue operation of the Restaurant and any use of the intellectual property and/or the Confidential Information owned by Franchisor, and will not use any similar or derivative marks, or materials, or colorable imitations of any such intellectual property in any medium or manner or for any purpose. Franchisee will remove from the Authorized Location any distinctive signage, physical and/or structural features associated with

the Restaurant, so that the premises are clearly distinguished from other Kajiken Restaurants and do not create any public confusion (to the extent the Restaurant has not been assigned in connection with an authorized transfer or purchased by Franchisor). Franchisee agrees not to identify itself, or any business it may operate or in which it may become involved, or to advertise or promote itself in any manner, as a present or former Kajiken Restaurant franchisee. At Franchisee's request, Franchisor may, but is not obligated to do so, repurchase certain branded materials from Franchisee, at the cost paid by Franchisee.

**D. Cancellation of Assumed Names, Transfer of Phone Numbers and Internet Sites.**

Franchisee agrees that upon termination or expiration of the Franchise, it will take such action as may be required to cancel all fictitious and assumed names or equivalent registrations relating to its use of the Marks and to notify the telephone/communication service provider and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any classified and other telephone directory listings associated with any Marks and the Restaurant and to authorize transfer of same to Franchisor or its designee. Franchisee acknowledges that as between Franchisor and Franchisee, Franchisor has the sole right to and interest in all telephone numbers and directory listings associated with any Marks of the Restaurant and Franchisee authorizes Franchisor, and hereby appoints Franchisor and any officer of Franchisor as its attorney-in-fact, to direct the telephone/communication service provider and all listing agencies to transfer the same to Franchisor or its designee should Franchisee fail or refuse to do so. The telephone/communication service provider and all listing agencies may accept such direction or this Agreement as conclusive evidence of the exclusive rights of Franchisor in such telephone numbers and directory listings and its authority to direct their transfer. Franchisee agrees to sign any documents and/or pay any amounts required by a telephone/communication services provider as a condition to Franchisor exercising any rights under this Section. If Franchisor is required to pay any amounts owed by Franchisee, to any telephone/ communication services provider or otherwise, in connection with Franchisor exercising its rights under this Section or otherwise obtaining/exercising rights to the telephone numbers, Franchisee will immediately reimburse Franchisor for such amounts and all related costs, on demand. Franchisee will also be required to cancel or if Franchisor so elects to have assigned to Franchisor, all ownership of any and all computerized media or electronic media, including but not limited to the World Wide Web, Internet addresses/sites, Telnet, news groups, bulletin boards, FTP, and the like which presently or which may later exist.

**E. Franchisor has the Right to Purchase the Restaurant.** If this Agreement is terminated prior to its scheduled expiration date by Franchisor in accordance with the provisions of this Agreement, Franchisor or its designee shall have the right and option (exercisable by written notice thereof within thirty (30) days after the determination of the purchase price pursuant to this Paragraph) to purchase (at the purchase price determined pursuant to this Paragraph) from Franchisee some or all of the assets (including Franchisee's inventory of saleable products which have been fully paid for by Franchisee) of the Restaurant and if the premises were not leased to Franchisee by Franchisor or its affiliates, the right to an assignment of Franchisee's lease or sublease for the premises of the Restaurant (or, if assignment is prohibited, a sublease for the full remaining term and on the same terms and conditions as Franchisee's lease). There shall be no provision for payment for leasehold improvements, the title of which shall be governed by the terms of Franchisee's lease or sublease for the Restaurant premises. The purchase price for the assets of the Restaurant shall be the depreciated value of those assets as shown on Franchisee's most current federal tax return; provided that the purchase price shall not contain any factor or increment for "goodwill" or "going concern value." Franchisor may exclude from the assets purchased hereunder any fixtures, equipment, signs or products and supplies in the inventory of the Restaurant that are not approved as meeting quality standards for a Kajiken Restaurant. The purchase price shall be paid by Franchisor in cash at the closing of the purchase, offset by any amounts owed to Franchisor by Franchisee.

Contemporaneously therewith, Franchisee shall: (i) deliver instruments transferring good and merchantable title to the assets purchased, free and clear of all liens and encumbrances to Franchisor or its nominee with all sales and other transfer taxes paid by Franchisee; and (ii) assign or transfer all licenses or permits which may be assigned or transferred. In the event that Franchisee cannot deliver clear title to all of the purchased assets as aforesaid, or in the event there shall be other unresolved issues, the closing of the sale shall be accomplished through an escrow. Further, Franchisee and Franchisor shall, prior to closing, comply with any applicable bulk filings required in the state where the Restaurant is located. If Franchisor exercises its option to purchase, pending the closing of such purchase as hereinabove provided, Franchisor shall have the right to appoint a manager to maintain the operation of the Restaurant. Alternatively, Franchisor may require Franchisee to close the Restaurant during such time period without removing therefrom any assets. Franchisee shall maintain in force all required insurance policies until the date of closing. In connection with such purchase, Franchisee (and each owner and/or affiliate of Franchisee) will execute a general release, in form prescribed by Franchisor, of any and all claims, liabilities and/or obligations against Franchisor and its affiliates. If agreement on the depreciated value is not reached by Franchisee and Franchisor within ten (10) days after the effective date of termination, the determination of depreciated value (as above defined) shall be submitted to an independent appraiser selected by Franchisor. All fees, costs and expenses of such independent appraiser shall be borne equally by Franchisor and Franchisee. In the event Franchisor does not exercise said option to purchase, Franchisee shall, within ten (10) days after the earlier of (i) the expiration of the option period without exercise by Franchisor of its option or (ii) service by Franchisor upon Franchisee of written notice that Franchisor does not intend to exercise its option, remove from the Restaurant by physical removal or in the case of signs, by obliteration, painting over or otherwise, and cease to use, either at the Restaurant or elsewhere, all names, distinctive architectural or other designs, signs, pictures, crests, shields, and other advertising and equipment which are indicative of Franchisor or Franchisee. All products which are not merchantable due to physical deterioration or which are "out-of-date" shall be destroyed by Franchisee.

F. **Liquidated Damages for Premature Termination.** Franchisor and Franchisee agree that, at the time this Agreement is entered into, it would be extremely difficult or impracticable to ascertain Franchisor's damages if the Agreement is terminated as a result of Franchisee's default under this Agreement. Therefore, the parties reasonably estimate in good faith that fair compensation to Franchisor for such termination shall be as follows: Franchisee will pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to: (i) the total of all Royalty Fees paid for the 36 calendar months of operation of the Restaurant immediately preceding Franchisee's default; (ii) the average amount of all Royalty Fees paid for the period of time the Restaurant has been in operation preceding Franchisee's default, if less than 36 calendar months, projected on a 36-calendar month basis; or (iii) the average amount of all Royalty Fees paid for the period of time the Restaurant has been in operation preceding Franchisee's default, if the unexpired Term is less than 36 months at the time of termination. The parties agree that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchisee's default is difficult and the parties desire certainty in this matter in the extreme and agree that the lump sum payment provided under this Paragraph is reasonable in light of the damages for premature termination that Franchisor will incur in this event. This payment is not exclusive of any other remedies that Franchisor has, including attorney's fees and costs.

G. **Continuing Obligations.** All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of the Franchise shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until they are

satisfied in full or by their nature expire.

15.7 **Franchisor's Rights and Remedies in Addition to Termination.** If Franchisee shall be in default in the performance of any of its obligations or breach any term or condition of this Agreement, in addition to Franchisor's right to terminate this Agreement, and without limiting any other rights or remedies to which Franchisor may be entitled at law or in equity, Franchisor may, at its election, immediately or at any time thereafter, and without notice to Franchisee cure such default for the account of and on behalf of Franchisee including, without limitation, entering upon and taking possession of the Restaurant and to taking in the name of Franchisee, all other actions necessary to effect the provisions of this Agreement and any such entry or other action shall not be deemed a trespass or other illegal act, and Franchisor shall not be liable in any manner to Franchisee for so doing, and Franchisee shall pay the entire cost thereof to Franchisor on demand, including reasonable compensation to Franchisor for the management of the Restaurant. If this Agreement is terminated by Franchisor with cause or Franchisee unilaterally attempts to terminate this Agreement without cause, then Franchisee may be liable for all unpaid future Royalty Fees, Marketing Fund Contributions, and lost profits, as well as any other direct, actual or consequential damages for the remainder of the Term of this Agreement.

## 16. RESOLUTION OF DISPUTES

16.1 **Mediation, Mandatory Binding Arbitration, and Waiver of Court Trial.** Franchisee and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Franchisee and franchisor have agreed that the provisions of this Section 16 support these mutual objectives and, therefore, agree as follows:

A. **Claim Process.** Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, between or involving Franchisee and any of its affiliates, on the one hand, and Franchisor and any of its affiliates, on the other hand, arising out of, related to, or referencing this Agreement or its breach in any way, including, without limitation, any claim arising in contract or tort arising out of the relationship created by this Agreement, for equitable relief, or asserting that this Agreement is invalid, illegal, or void, ("Claim") shall be processed in the following manner, Franchisee and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section 16.1 D.

(i) First, the Claim will be discussed in a face-to-face meeting held in the county where Franchisor's then-current headquarters is located, within thirty (30) days after either Franchisee or Franchisor gives written notice to the other proposing such a meeting.

(ii) Second, if the Claim is not resolved from the face-to-face meeting, it shall be submitted to non-binding mediation, in the county where Franchisor's then-current headquarters is located. Franchisee and Franchisor will split the costs, and each will bear their own expenses of any mediation. Any mediation/arbitration will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding. If both Franchisee and Franchisor do not want to participate in mediation, then they shall proceed to arbitration as provided below.

(iii) Third, the Claim shall be submitted to and finally resolved by binding arbitration before a single arbitrator in the county where Franchisor's then-current headquarters is located, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its

successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction. Any dispute arising out of or in connection with this arbitration provision, including any question regarding its existence, validity, scope, or termination shall be referred to and finally resolved by arbitration.

B. **Confidentiality.** The parties to any meeting, mediation, or arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

C. **Fees and Costs.** In the event of any arbitration or litigation (also including appeals, petitions for confirmation, modification, or vacation of an award) arising out of or relating to a Claim, this Agreement, the breach of this Agreement, or the relationship of the parties to this Agreement, the prevailing party will be reimbursed by the other party for all costs and expenses incurred in connection with such arbitration or litigation, including, without limitation, reasonable attorneys' fees.

D. **Disputes Not Subject to the Mediation/Arbitration Process.** Claims or disputes seeking (a) injunctive relief as to the validity of the Marks and/or any intellectual property licensed to Franchisee and use of the Marks or other intellectual property licensed to the Franchisee, (b) injunctive relief for health and safety issues and violations, or (c) injunctive relief as to the validity and enforcement of the covenants not to compete, may be submitted to Court, provided that only the portion of any such claim or dispute requesting injunctive relief shall be subject to Court action, and any portion of such claim or dispute seeking monetary damages or other relief will be subject to the Claim Process outlined above in paragraph 16.1.A.

E. **Intentions of Franchisee and Franchisor.** Franchisee and Franchisor mutually agree (and have expressly had a meeting of the minds) that, notwithstanding any contrary provisions of state, federal or other law, and/or any statements in Franchisor's Franchise Disclosure Document required by a state or the Federal government as a condition to registration or for some other purpose:

(i) all issues relating to the enforcement of arbitration-related provisions of this Agreement will be decided by the arbitrator (including all Claims that any terms were procured by fraud or similar means) and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration and exclusive of state statutes and/or common law;

(ii) all provisions of this Agreement shall be fully enforced, including (but not limited to) those relating to arbitration, waiver of jury trial, limitation of damages, venue, and choice of laws;

(iii) Franchisee and Franchisor intend to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to its terms;

(iv) **Franchisee and Franchisor each knowingly waive all rights to a court trial or jury trial (except as expressly provided in this Agreement), understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, but still strongly preferring mediation and/or arbitration as provided in this Agreement;**

(v) in the Claim Process, Franchisee and Franchisor agree that each may bring claims against the other only in the Franchisee's or Franchisor's individual capacity and not as a plaintiff or class

member in any class or representative action or any multiple plaintiff or consolidated proceeding. Unless both Franchisee and Franchisor agree, no arbitrator may consolidate more than one person's claims or otherwise preside over any form of representative, class, multiple plaintiff or consolidated proceeding; and

(vi) the terms of this Agreement (including but not limited to this Section 16) shall control with respect to any matters of choice of law. Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document it furnished to Franchisee.

16.2 **Venue.** Without in any way limiting or otherwise affecting the obligations of Franchisee and Franchisor under Section 16.1 above, Franchisee and Franchisor agree that any litigation will be brought in a court of competent jurisdiction in the county where Franchisor's then-current headquarters is located.

16.3 **Class Action Waiver.** To the extent any party brings any claim for relief, cause of action, or proceeding in court, Franchisee and Franchisor also agree that each may only bring such claims for relief, causes of action, or proceedings against the other in the Franchisee's or Franchisor's individual capacity and not as a plaintiff or class member in any class or representative action or any multiple plaintiff or consolidated proceeding. Unless both Franchisee and Franchisor agree, no court may consolidate more than one person's claims for relief, causes of action, or proceeding, or otherwise preside over any form of representative, class, multiple plaintiff, or consolidated proceeding.

16.4 **Choice of Laws.** Franchisee and Franchisor agree on the practical business importance of certainty as to the law applicable to their relationship and its possible effect on the development and competitive position of the System. Therefore, Franchisee and Franchisor also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the Lanham Act (15 U.S.C. §1051 et seq.) and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning Franchisee and Franchisor, will be governed by, and construed and enforced in accordance with, the laws of California; except (i) that the statutes or regulations regarding franchises (including, without limitation, investment, registration, disclosure, termination, and/or relationship laws) of the state where the Restaurant is located shall apply to this Agreement and the parties' relationship instead of California's statutes or regulations regarding franchises; and (ii) the law of California will not govern the covenants not to compete in Article 13 of this Agreement. Instead, the covenants not to compete in Article 13 will be governed by the law of the state where the Restaurant is located. Franchisee and Franchisor agree that this provision shall be enforced without regard to the laws of California relating to conflicts of laws or choice of law.

16.5 **Binding Effect, Modification.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified or supplemented except by means of a written agreement signed by both Franchisee and Franchisor. However, Franchisee and Franchisor understand and agree that changes to the Manual made in accordance with this Agreement are binding and do not require any acceptance by Franchisee, written or otherwise, to be effective and enforceable. No other officer, field representative, salesperson or other person has the right or authority modify this Agreement, or to make any representations or agreements on Franchisor's behalf, and any such modifications, representations and/or agreements will not be binding.

16.6 **Non-Retention of Funds.** Neither party has the right to offset or withhold payments of any kind owed or to be owed to the other against amounts purportedly due as a result of any dispute of any nature or otherwise, except as authorized by an arbitration award, or as expressly provided otherwise in this Agreement.

## 17. MISCELLANEOUS PROVISIONS

17.1 **Severability.** Except as provided in Paragraph 13.4, each article, section, paragraph, term and provision of this Agreement, or any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held by an arbitrator or by a court of competent jurisdiction to be unenforceable due to any applicable existing or future law or regulation, such portion shall not impair the operation of or have any effect upon, the remaining portions of this Agreement which will remain in full force and effect and bind the parties hereto, although the invalid portion shall be deemed not part of this Agreement from the time so directed by the court. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but, each shall be cumulative of every other right or remedy.

17.2 **Waiver and Delay.** Franchisor and Franchisee may, by written instrument, unilaterally waive any obligation or restriction upon the other under this Agreement. No failure, refusal or neglect of Franchisor to exercise any right, power, remedy or option reserved to it under this Agreement, or to insist upon strict compliance by Franchisee with any obligation, condition, specification, standard or operating procedure in this Agreement, shall constitute a waiver of any provision of this Agreement and the right of Franchisor to demand exact compliance with this Agreement, or to declare any subsequent breach or default or nullify the effectiveness of any provision of this Agreement. Subsequent acceptance by Franchisor of any payment(s) due it under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

17.3 **Rights of Parties Are Cumulative.** The rights of Franchisor and Franchisee under this Agreement are cumulative and no exercise or enforcement by the Franchisor or Franchisee of any right or remedy under this Agreement shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy under this Agreement or which Franchisor or Franchisee is entitled by law to enforce.

17.4 **Parties Affected.** This Agreement binds the parties and, subject to Article 14, their successors and assigns. No person may acquire from Franchisee any interest in this Agreement except in accordance with Article 14. If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities to Franchisor of each such person or entity are joint and several. Each shareholder or equity owner of a ten percent (10%) or greater interest in Franchisee must sign the guaranty of this Agreement designated by Franchisor, in the form attached as Exhibit 2 to this Agreement.

17.5 **No Withholding Payments Owed.** Franchisee shall not, on the grounds of alleged non-performance by Franchisor of any of its obligations under this Agreement, withhold payments of the royalty fee, any advertising or marketing fees, or any other amounts due the Franchisor or any affiliate of Franchisor.

17.6 **Amendment.** This Agreement may not be amended except in writing signed by Franchisor and Franchisee.

17.7 **Designation of Responsible Parties.** Franchisee represents and warrants to Franchisor that the list below states: (i) the name, mailing address and equity interest of each person holding any shares or other form of ownership, or security interest convertible into an equity interest, in Franchisee, showing percentage of ownership held by each and (ii) the name and mailing address of the individual(s) who will be the principal franchisee-operator(s) (the "Operating Partner(s)") of the business franchised hereunder. The Operating Partner(s) (there may be up to two such individuals but only one address to which Franchisor communicates regarding the franchise) named has the authority to act for Franchisee in all matters relating to the Restaurant, including voting responsibilities. Only those individuals who are party to this Agreement and have an ownership interest in the franchise entity may be listed as an Operating Partner(s). Franchisee shall promptly notify Franchisor of any change in any such information. Any change in the Operating Partner(s) or in shareholder information is subject to Article 14 and the training requirements of this Agreement:

Franchisee is a  \_\_\_\_\_, organized under the laws of \_\_\_\_\_, or  Franchisee is an individual or group of individuals, and hereby represents and warrants that the information stated below is true and accurate as of the date set forth below:

| Shareholder, Partner, Member<br>or Individual Name and Address | Percentage of<br>Ownership Interest |
|--|-------------------------------------|
| _____  | _____                               |
| _____  |                                     |
| _____  |                                     |
| _____  | _____                               |
| _____  |                                     |
| _____  |                                     |

**Operating Partner(s):** \_\_\_\_\_

17.8 **Franchisor's Discretion.** Except as otherwise specifically referenced herein, all acts, decisions, determinations, specifications, prescriptions, authorizations, approvals, consents and similar acts by Franchisor may be taken or exercised in the sole and absolute discretion of Franchisor, regardless of the impact upon Franchisee. Franchisee acknowledges and agrees that when Franchisor exercises its discretion or judgment, its decisions may be for the benefit of Franchisor or the Kajiken Restaurant Franchise network and may not be in the best interest of Franchisee as an individual franchise owner.

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

17.10 **Gender.** All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

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

17.12 **Notices.**

A. All notices which the parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be given by any of the following methods: (1) personally delivered; ~~or (2)~~ mailed by certified or registered mail, return receipt requested, postage paid; ~~or (3)~~ by reliable overnight delivery service, ~~addressed;~~ or (4) by electronic transmission, including email and facsimile.

The addresses for the parties are as follows:

**If to Franchisor:**

Kajiken International, Inc.  
Attention: Kenichi Kaji  
~~3760 Convoy Street, Suite 219~~ 112 B St.  
San ~~Diego~~ Mateo, CA ~~92111~~ 94401  
Email: kajiken96@kajiken96.com

**If to Franchisee:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

B. The ~~addressees herein~~ above addresses given for notices may be changed at any time by either party by giving ten (10) calendar days prior written notice ~~given~~ to the other party, as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand. Notices sent by electronic transmission shall be deemed to have been given on the next business day after being sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email or facsimile has not been delivered.

17.13 **Further Assurances.** The parties to this Agreement agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Agreement.

17.14 **Time is of the Essence.** Franchisor and Franchisee agree that time is of the essence with respect to all terms and conditions in this Agreement.

17.15 **Consumer Price Index.** Amounts specified as being subject to inflation adjustment may be adjusted by Franchisor annually in its Business Judgment in proportion to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor (or any Successor index) as compared to the previous year. Franchisor is not required to adjust any amounts downward. Franchisor will notify Franchisee of any such percentage increase adjustment.

17.16 **No Recourse Against Nonparty Affiliates.** All claims, obligations, liabilities, or causes of action (whether in contract or in tort, in law or in equity, or granted by statute) that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Agreement,

or the negotiation, execution, or performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to this Agreement, but not including separate undertakings such as guarantees of performance, personal guaranties, or corporate guarantees), may be made only against (and are those solely of) the entities that are expressly identified as parties in the preamble to this Agreement (“Contracting Parties”). No person who is not a Contracting Party, including without limitation any past and present director, officer, employee, incorporator, member, partner, manager, stockholder, affiliate, agent, attorney, or representative of, and any financial advisor or lender to, any of the foregoing (“Nonparty Affiliates”), shall have any liability (whether in contract or in tort, in law or in equity, or granted by statute) for any claims, causes of action, obligations, or liabilities arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach; and, to the maximum extent permitted by law, each Contracting Party hereby waives and releases all such liabilities, claims, causes of action, and obligations against any such Nonparty Affiliates, unless such liabilities, claims, causes of action, and obligations arise from deliberately fraudulent acts. Without limiting the foregoing, to the maximum extent permitted by law, (a) each Contracting Party hereby waives and releases any and all rights, claims, demands or causes of action that may otherwise be available at law or in equity, or granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose liability of a Contracting Party on any Nonparty Affiliate, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise; and (b) each Contracting Party disclaims any reliance upon any Nonparty Affiliates with to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement. Nothing herein is intended to prevent a Contracting Party from pursuing any distinct legal rights it may have against a Nonparty Affiliate which arise from a separate document, such as a guaranty of performance, personal guaranty, corporate guaranty or similar agreement. Notwithstanding any other provision of this Agreement which limits the right of prospective third-party beneficiaries, any Nonparty Affiliate may rely on this provision and enforce it against any Contracting Party or other person or entity.

17.17 **Force Majeure.** Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to Force Majeure or other causes beyond the reasonable control of the parties that materially affects a party’s ability to perform. In this Agreement, the term “Force Majeure” shall include any of the following: (i) casualty or condemnation; (ii) storm, earthquake, hurricane, tornado, flood or other act of God; (iii) war, insurrection, pandemics, epidemics, quarantine restrictions, civil commotion or act of terrorism; (iv) strikes or lockouts; (v) embargoes, lack of water, materials, power or telephone transmissions specified or reasonably necessary in connection with the production, storage, shipment, or sale of goods and services; or (vi) failure of any applicable governmental authority to issue any approvals, or the suspension, termination or revocation of any material approvals, required for the production, storage, shipment, or sale of goods or services. Any time period for the performance of an obligation shall be extended for the amount of time of the delay. The party whose performance is affected by any of such causes shall give prompt written notice of the circumstances of such event to the other party, but in no event more than five (5) days after the commencement of such event. The notice shall describe the nature of the event and an estimate as to its duration. This clause shall not apply or not result in an extension of the term of this Agreement.

17.18 **Similar Agreements.** Franchisor makes no warranty or representation that anything contained in this Agreement may be construed as requiring that all the Kajiken Restaurant franchise agreements issued by Franchisor, during any time period, contain terms substantially similar to those contained in this

Agreement. Further, Franchisee agrees and acknowledges that Franchisor may, in its reasonable business judgment, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements granted to other Kajiken franchisees in a non-uniform manner, subject to those provisions of this Agreement that require Franchisor to act toward its franchisees on a reasonably non-discriminatory basis.

## 18. ACKNOWLEDGMENTS

18.1 A. THE SUBMISSION OF ~~THE~~THIS AGREEMENT DOES NOT CONSTITUTE AN OFFER AND THIS AGREEMENT SHALL BECOME EFFECTIVE ONLY UPON THE EXECUTION HEREOF BY THE FRANCHISOR AND THE FRANCHISEE. THE DATE OF EXECUTION BY THE FRANCHISOR SHALL BE CONSIDERED TO BE THE DATE OF EXECUTION OF THIS AGREEMENT.

B. THIS AGREEMENT SHALL NOT BE BINDING ON THE FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE FRANCHISOR.

~~18.2 A. FRANCHISEE ACKNOWLEDGES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY FRANCHISEE UNDER THIS AGREEMENT IS SPECULATIVE, WILL BE OPERATED IN A HIGHLY COMPETITIVE MARKETPLACE AND VOLATILE ECONOMY, AND THAT ITS FINANCIAL RESULTS, INCLUDING ITS ULTIMATE SUCCESS OR FAILURE, WILL DEPEND UPON FRANCHISEE'S MANAGERIAL AND FINANCIAL CAPABILITIES, LOCAL MARKET CONDITIONS AND OTHER FACTORS. FRANCHISEE ACKNOWLEDGES, THEREFORE, THAT FRANCHISOR CANNOT AND DOES NOT GUARANTEE OR REPRESENT THAT THE RESTAURANT WILL BE PROFITABLE OR SUCCESSFUL.~~

~~B. FRANCHISEE FURTHER REPRESENTS THAT IT UNDERSTANDS AND ACCEPTS THE TERMS, CONDITIONS, COVENANTS AND OBLIGATIONS OF THIS AGREEMENT AS BEING REASONABLY NECESSARY TO (1) MAINTAIN THE FRANCHISOR'S HIGH STANDARDS OF QUALITY AND SERVICE; (2) MAINTAIN UNIFORMITY OF THOSE STANDARDS AT ALL KAJIKEN RESTAURANTS; AND (3) PROTECT AND PRESERVE THE GOODWILL OF THE MARKS, AND THAT FAILURE TO MAINTAIN THE FRANCHISOR'S STANDARDS WILL RESULT IN TERMINATION OF THIS AGREEMENT.~~

~~18.3 FRANCHISEE ACKNOWLEDGES THAT THE COVENANTS NOT TO COMPETE SET FORTH IN THIS AGREEMENT ARE FAIR AND REASONABLE AND WILL NOT IMPOSE ANY UNDUE HARDSHIP ON THE FRANCHISEE, SINCE THE FRANCHISEE HAS OTHER CONSIDERABLE SKILLS, EXPERIENCE AND EDUCATION WHICH AFFORD THE FRANCHISEE THE OPPORTUNITY TO DERIVE INCOME FROM SUCH OTHER ENDEAVORS.~~

~~18.4 FRANCHISEE REPRESENTS TO THE FRANCHISOR THAT ALL INFORMATION SET FORTH IN ANY AND ALL APPLICATIONS, FINANCIAL STATEMENTS AND SUBMISSIONS TO THE FRANCHISOR BY THE FRANCHISEE ARE TRUE, COMPLETE AND ACCURATE IN ALL RESPECTS, AND THE FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT THE FRANCHISOR IS RELYING UPON TRUTHFULNESS, COMPLETENESS AND ACCURACY OF SUCH INFORMATION.~~

~~18.5~~18.4 FRANCHISEE ACKNOWLEDGES THAT THE EXECUTION OF THIS AGREEMENT IS THE WHOLLY VOLUNTARY ACT OF THE PERSONS WHO SIGNED THIS AGREEMENT.

~~18.6~~18.5 Franchisee acknowledges and agrees that Franchisor may elect to keep only electronic copies of any and all documents and records pertaining to the franchised business, the System, and the

franchise relationship between the parties. Each such electronic record will accurately reflect the information in the document and will remain accessible to all persons entitled by law to access the information for the period of time required by law. The electronic record will be in a form capable of being accurately reproduced for later reference if necessary.

**19. ENTIRE AGREEMENT**

19.1 This Agreement, the documents referred to herein, and the exhibits hereto, constitute the entire and only agreement between the parties concerning the granting, awarding and licensing of Franchisee as an authorized Kajiken Restaurant Franchisee at the Restaurant location, and supersede all prior and contemporaneous agreements. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set forth herein. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement does not alter agreements between Franchisor and Franchisee for other locations. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Franchisee in the Franchise Disclosure Document or in any related document that Franchisor heretofore furnished to Franchisee.

**20. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES**

20.1 The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgment signed or agreed to by 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 Franchisor, any franchise seller, or any other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates set forth below to be effective upon execution by Franchisor.

|   |                                 |
|---|---------------------------------|
| <b>FRANCHISOR</b><br><b>KAJIKEN INTERNATIONAL, INC.</b> | <b>FRANCHISEE</b>               |
|   | If Franchisee is an individual: |
| By: _____   | Signature: _____                |
| Print Name: _____                                       | Print Name: _____               |
| Title: _____  | Date: _____                     |
| Accepted: _____   |                                 |

Signature: \_\_\_\_\_

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

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

*[Signatures continued on following page.]*

**FRANCHISOR**  
**KAJIKEN INTERNATIONAL, INC.**

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

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

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

**Effective Date:** - \_\_\_\_\_

**FRANCHISEE**

If Franchisee is an individual:

Signature: \_\_\_\_\_

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

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

**Accepted**

Signature: \_\_\_\_\_

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

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

If Franchisee is a corporation or other entity:

\_\_\_\_\_  
[Name of Franchisee]

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

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

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

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

**EXHIBIT 1 TO THE  
KAJIKEN RESTAURANT FRANCHISE AGREEMENT**

**THE AUTHORIZED LOCATION ADDENDUM**

This Addendum is made to the Kajiken Restaurant Franchise Agreement dated \_\_\_\_\_  
(the "Franchise Agreement") between Kajiken International, Inc. (the "Franchisor") and \_\_\_\_\_  
(the "Franchisee").

1. **Preservation of Agreement.** Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement.

2. **Authorized Location.** The parties hereto agree that the Authorized Location referred to in Section 1.2 of the Franchise Agreement shall be the following address:

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

This Addendum is agreed to and accepted by the parties this \_\_\_ day of \_\_\_\_\_ 20\_\_.

**FRANCHISOR:**

**FRANCHISEE:**

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

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

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

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

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

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

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

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

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

**EXHIBIT 2 TO THE  
KAJIKEN RESTAURANT FRANCHISE AGREEMENT**

**GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT**

For value received, and in consideration for, and as an inducement to Kajiken International, Inc. ("Franchisor") to execute that Kajiken Restaurant Franchise Agreement of even date herewith (the "Franchise Agreement"), by and between Franchisor and \_\_\_\_\_ or his/her assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee"), \_\_\_\_\_ (the "Guarantor(s)"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Franchise Agreement, including all of Franchisee's monetary obligations arising under or by virtue of the Franchise Agreement.

Upon demand by Franchisor, Guarantor(s) will immediately make each payment required of Franchisee under the Franchise Agreement. Guarantor(s) hereby waives any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Franchise Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of Guarantor(s) under this Guarantee, Indemnification and Acknowledgment, Franchisor may, without notice to Guarantor(s), extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims against Franchisee.

**Guarantor(s) waives notice of amendment of the Franchise Agreement and notice of demand for payment by Franchisee, and agrees to be bound by any and all such amendments and changes to the Franchise Agreement.**

Guarantor(s) hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorney's fees, reasonable costs of investigations, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Franchise Agreement, any amendment, or any other agreement executed by Franchisee referred to therein.

Guarantor(s) hereby acknowledges and agrees to be individually bound by all covenants contained in the Franchise Agreement and all terms and conditions of the Franchise Agreement requiring Franchisee not to disclose confidential information.

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

The validity of this Guarantee and the obligations of Guarantor(s) hereunder shall in no way be terminated, restricted, diminished, affected or impaired by reason of any action that Franchisor might take or be forced to take against Franchisee, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Franchise Agreement or otherwise.

The use of the singular herein shall include the plural. Each term used in this Guarantee, unless otherwise defined herein, shall have the same meaning as when used in the Franchise Agreement.

This Guarantee is to be performed in San DiegoMateo, California and shall be governed by and construed in accordance with the laws of the State of California. Guarantor(s) specifically agrees that the state and federal courts situated in San DiegoMateo, California shall have exclusive jurisdiction over Guarantor(s) and this Guarantee, and further agrees that any action relating to this Guarantee may be brought solely in either the San DiegoMate County Superior Court or the United States District Court for the SouthernNorthern District of California. In connection therewith, each of the undersigned hereby appoints the Secretary of State for the State of California as his agent for service of process to receive summons issued by the court in connection with any such litigation. Notwithstanding the foregoing, Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Franchise Agreement (except as otherwise provided in Article 16 of the Franchise Agreement).

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

**GUARANTOR**

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

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

SS #: \_\_\_\_\_

DOB: \_\_\_\_\_

Driver's License No. \_\_\_\_\_

**GUARANTOR**

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

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

SS #: \_\_\_\_\_

DOB: \_\_\_\_\_

Driver's License No: \_\_\_\_\_

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Name of Guarantor's Spouse

\_\_\_\_\_  
Signature of Guarantor's Spouse

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Name of Guarantor's Spouse

\_\_\_\_\_  
Signature of Guarantor's Spouse

**EXHIBIT 3 TO THE  
KAJIKEN RESTAURANT FRANCHISE AGREEMENT**

**ADDENDUM TO LEASE**

This Addendum to Lease (this "Addendum") modifies and supplements that certain lease dated \_\_\_\_\_ and entered into by Tenant and Landlord concerning the Location at \_\_\_\_\_ (the "Lease").

Landlord and Tenant, intending that Kajiken International, Inc., a California corporation, ("Franchisor") (and its successors and assigns) be a third-party beneficiary of this Addendum, agree as follows:

(1) Landlord shall, during the term of the Lease and thereafter, provide Franchisor all sales and other information it may have, whether provided by Tenant or otherwise, related to the operation of Tenant's Kajiken Restaurant as Franchisor may reasonably request;

(2) Tenant may display the trademarks, service marks and other commercial symbols owned by Franchisor and used to identify the service and/or products offered at the Kajiken Restaurant, including the name "Kajiken Restaurant" and the Kajiken Restaurant design and image developed and owned by Franchisor, as it currently exists and as it may be revised and further developed by Franchisor from time to time, and certain associated logos in accordance with the specifications required by the Kajiken Restaurant Manual, subject only to the provisions of applicable law and in accordance with provisions in the Lease no less favorable than those applied to other tenants of Landlord;

(3) Tenant shall not, and the Landlord shall not permit the tenant to, sublease or assign all or any part of the Lease or the Premises, or extend the term or renew the Lease, without Franchisor's prior written consent;

(4) Landlord shall concurrently provide Franchisor with a copy of any written default notice sent to Tenant and thereupon grant Franchisor the right (but not the obligation) to cure any deficiency or default under the Lease, should Tenant fail to do so, within five (5) days after the expiration of the period in which Tenant may cure the default;

(5) The Premises shall be used only for the operation of a Kajiken Restaurant;

(6) Tenant may, without Landlord's consent (but subject to providing Landlord with written notice thereof), at any time assign this Lease or sublease the whole or any part of the Premises to Franchisor or any successor, subsidiary or affiliate of Franchisor;

(7) In the event of an assignment of the Lease to Franchisor as described in (6) above, Franchisor may further assign this Lease, subject to Landlord's consent, such consent not to be unreasonably withheld based on the remaining obligations of assignee under the Lease, to a duly authorized franchisee of Franchisor, and thereupon Franchisor shall be released from any further liability under the Lease; and

(8) Until changed by Franchisor, notice to Franchisor shall be sent as follows:

Kajiken International, Inc.  
Attention: Kenichi Kaji  
~~3760 Convoy Street, Suite 219~~ 112 B St.  
San Diego ~~Mateo~~, CA ~~92111~~ 94401

(9) None of the provisions in this Addendum or any rights granted Franchisor hereunder, may be amended absent Franchisor's prior written consent.

AGREED:

TENANT

LANDLORD

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

**EXHIBIT 4 TO THE  
KAJIKEN RESTAURANT FRANCHISE AGREEMENT**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

This "Agreement" is made and entered into as of this \_\_\_ day of \_\_\_\_\_ 20\_\_\_, by and among Franchisee, Covenantor and Kajiken International, Inc., a California corporation, ("Franchisor").

"Franchisee": \_\_\_\_\_

"Covenantor": \_\_\_\_\_, being [an owner], [an officer], [a director] [general partner], [managing member] or [manager] of Franchisee.

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

**1. PREAMBLES**

Franchisor has executed or intends to execute a "Franchise Agreement" with Franchisee under which Franchisor grants to Franchisee certain rights with regard to a "Kajiken Restaurant". Before allowing Covenantor to have access to the Confidential Information (as defined below) and as a material term of the Franchise Agreement necessary to protect Franchisor's confidential know-how and distinctive systems, designs, decor, trade dress, specifications, standards and procedures authorized or required by Franchisor from time to time for use in the operation of Franchisee's Kajiken Restaurant, (the "Restaurant") and Franchisor's proprietary rights in and Franchisee's right to use the Confidential Information, Franchisor and Franchisee require that Covenantor enter into this Agreement.

To induce Franchisor to enter into the Franchise Agreement and/or to avoid a material breach thereof Franchisor, Franchisee and Covenantor desire and consider it to be in Covenantor's best interests that Covenantor enter into this Agreement. Due to the nature of Franchisor's and Franchisee's business any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause Franchisor and Franchisee substantial harm.

**2. PROTECTION OF CONFIDENTIAL INFORMATION**

Covenantor acknowledges and agrees that Franchisor possesses certain confidential and proprietary information in which Franchisor possesses valuable industrial and intellectual property rights consisting of the methods, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques and knowledge of and experience in the operation and franchising of Kajiken Restaurants (the "Confidential Information"). Franchisor and Franchisee will disclose such parts of the Confidential Information as are required for Covenantor to perform its obligations to Franchisee in furnishing Covenantor the training program, the Operating Manual (as defined in the Franchise Agreement) and in guidance furnished to Covenantor for his/her performance of services to Franchisee.

Covenantor agrees to use the Confidential Information only to the extent reasonably necessary to perform Covenantor's duties for Franchisee taking into consideration the confidential nature of the Confidential Information. Covenantor may disclose the Confidential Information only as agent for Franchisee. Covenantor acknowledges and agrees that the unauthorized use or duplication of the Confidential Information, including, without limitation, in connection with any other business would be detrimental to Franchisor and Franchisee and would constitute a breach of Covenantor's obligations of confidentiality and

an unfair method of competition with Franchisor and other Kajiken Restaurants owned by Franchisor, its affiliates or franchisees.

Covenantor acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Franchisor. The Confidential Information will be disclosed to Covenantor solely on the condition that Covenantor agrees to the terms and conditions of this Agreement. Covenantor therefore agrees that during the term of the Franchise Agreement and thereafter, he/she: (a) will not use the Confidential Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Confidential Information; (c) will not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form; and (d) will adopt and implement all reasonable procedures prescribed from time to time by Franchisor and Franchisee to prevent unauthorized use or disclosure of or access to the Confidential Information.

Notwithstanding anything to the contrary contained in this Agreement the restrictions on Covenantor's disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques and knowledge which are or become generally known or easily accessible other than by Covenantor's breach of an obligation of confidentiality; and (b) the disclosure of the Confidential Information pursuant to applicable law or in judicial or administrative proceedings to the extent that Covenantor is legally compelled or required by a regulatory body to disclose such information, provided Covenantor has notified Franchisor and Franchisee prior to disclosure and shall have used his/her best efforts to obtain, and shall have afforded Franchisor and Franchisee the opportunity to obtain, an appropriate assurance reasonably satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

### **3. IN-TERM RESTRICTIVE COVENANT**

Covenantor acknowledges and agrees that Franchisor and Franchisee would be unable to protect the Confidential Information against unauthorized use or disclosure and Franchisor would be unable to achieve a free exchange of ideas and information among the Kajiken Restaurants if persons authorized to use the Confidential Information were permitted to engage in, have ownership interests in or perform services for Competitive Businesses (as defined below). Covenantor therefore agrees that for as long as Covenantor is an owner, director, officer, general partner, managing member or manager of Franchisee or is otherwise employed or engaged by Franchisee, Covenantor shall not, without Franchisor's prior written consent, directly or indirectly (through a member of the immediate family or otherwise), have any interest as an owner of (except of publicly-traded securities or interests in other Kajiken Restaurants pursuant to other franchise agreements with Franchisor or its affiliates), or assist or perform services as a director, officer, employee, consultant, representative, agent or in any other capacity, for, any business principally offering products substantially similar to the products then being offered by the majority of Kajiken Restaurants (a "Competitive Business"), nor will Covenantor, without the prior written consent of Franchisor, have any interest, as aforesaid, in, or serve in any capacity, any entity which franchises or otherwise grants to others the right to operate a Competitive Business.

### **4. RESTRICTIVE COVENANT UPON TERMINATION OR EXPIRATION OF THE FRANCHISE AGREEMENT OR COVENANTOR'S ASSOCIATION WITH FRANCHISEE**

Upon the first to occur of: (a) termination or expiration without renewal of the Franchise Agreement; or (b) the date as of which Covenantor ceases to be an owner, director, officer, general partner, managing member or manager of, or otherwise employed or engaged by, Franchisee (both referred to herein as a "Termination Event"), Covenantor agrees that, for a period of two (2) years commencing on the effective

date of a Termination Event, Covenantor shall not (through a member of the immediate family or otherwise) have any interest as an owner of (except of publicly-traded securities or interests in other Kajiken Restaurants pursuant to other franchise agreements with Franchisor or its affiliates), or assist or perform services as a director, officer, employee, consultant, representative, agent or in any other capacity for, any Competitive Business located within a five (5) mile radius from any concept (including, but not limited to, Kajiken Restaurants) franchised or owned and operated by Franchisor, its parent, or any of its affiliates; nor will Covenantor have any interest, as aforesaid, in, or serve in any capacity, any entity which franchises or otherwise grants to others the right to operate a Competitive Business.

Covenantor recognizes the broad scope of the restrictive covenants set forth in Sections 3 and 4 of this Agreement but agrees that they are reasonable. If any court or tribunal of competent jurisdiction shall refuse to enforce any such covenant because it is more extensive whether as to time limit, geographic area, scope of business or otherwise than is deemed reasonable, it is expressly understood and agreed that such covenants shall not be void, but that the restrictions contained therein shall be deemed reduced to the extent necessary to permit the enforcement of such covenants.

Covenantor expressly acknowledges and agrees that Covenantor possesses skills and abilities of a general nature and has opportunities for exploiting such skills. Consequently, enforcement of the covenants made in Sections 3 and 4 of this Agreement will not deprive Covenantor of the ability to earn a living.

## **5. SURRENDER OF DOCUMENTS**

Covenantor agrees that, as of the effective date of a Termination Event, Covenantor shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by Covenantor and return to Franchisee or to Franchisor if directed by Franchisor all copies of the Confidential Information loaned or made available to Covenantor.

## **6. COSTS AND ATTORNEYS' FEES**

In the event that Franchisor or Franchisee is required to enforce this Agreement in an action against Covenantor, Covenantor shall reimburse Franchisor and/or Franchisee if it/they prevail (whether or not awarded a money judgment) for its/their reasonable attorneys' fees, costs and expenses (and interest on such fees, costs, and expenses), whether such fees are incurred before, during or after any trial or administrative proceeding or on appeal.

## **7. WAIVER**

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times.

## **8. SEVERABILITY**

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of or have any other effect upon such other portions of this Agreement as may

remain otherwise intelligible. Such other portions shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires if Covenantor is a party thereto or upon Covenantor's receipt of a notice from Franchisor that it will not enforce the section, paragraph, term or provision in question.

#### **9. RIGHTS OF PARTIES ARE CUMULATIVE**

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce.

#### **10. BENEFIT**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. In the event Franchisor does not execute this Agreement (regardless of the reason) Franchisor shall be deemed a third-party beneficiary of this Agreement and shall have the right to enforce this Agreement directly.

#### **11. EFFECTIVENESS**

This Agreement shall be enforceable and effective when signed by Covenantor regardless of whether and when Franchisor or Franchisee signs this Agreement.

#### **12. GOVERNING LAW/CONSENT TO JURISDICTION**

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the state in which the Restaurant is located without regard to its conflict of laws principles. Covenantor and Franchisee agree that they shall institute, and that Franchisor may institute any action against any of the parties hereto in any state or federal court of general jurisdiction in the state court of general jurisdiction or the Federal District Court nearest to Franchisor's principal place of business at the time such action is filed. Covenantor and Franchisee irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction or venue of such court.

*[Signatures on Following Page]*

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement in multiple counterparts as of the day and year first above written.

**COVENANTOR:**

\_\_\_\_\_  
Print name of Covenantor

\_\_\_\_\_  
Signature of Covenantor

**FRANCHISEE:**

\_\_\_\_\_  
Print name of Franchisee

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

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

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

**FRANCHISOR:**

Kajiken International, Inc.  
a California corporation

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

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

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

**EXHIBIT 5 TO THE  
KAJIKEN RESTAURANT FRANCHISE AGREEMENT**

**ADA CERTIFICATION FORM**

Kajiken International, Inc., a California corporation, (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) are parties to a franchise agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”) for the operation of a Kajiken Restaurant at the location identified below (the “Restaurant”).

\_\_\_\_\_  
(KAJIKEN RESTAURANT ADDRESS)

**ADA Certification:**

In accordance with Section 7.4 of the Franchise Agreement, Franchisee certifies to Franchisor that to the best of Franchisee’s knowledge, the Restaurant and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing or operation of the Restaurant by Franchisor. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee agrees to indemnify Franchisor and each of Franchisor’s affiliates, and each of their respective officers, directors, members, shareholders, representatives, employees and agents, in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by such indemnified party(ies) as a result of any matters associated with Franchisee’s compliance (or failure to comply) with the Americans with Disabilities Act, as well as the costs, including attorneys’ fees, related to the same.

In the event of any dispute concerning or relating to this document and/or any of the transactions and/or matters to which it may apply, such dispute will be resolved in accordance with the dispute resolution provisions of the Franchise Agreement, including Article 16 of the Franchise Agreement. Terms not defined in this document shall have the same meaning as they do in the Franchise Agreement.

**FRANCHISEE**

If Franchisee is an individual:

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

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

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

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

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

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

If Franchisee is a corporation or other entity:

\_\_\_\_\_  
[Name of Franchisee]

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

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

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

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

**EXHIBIT C**  
**TO FRANCHISE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

UNAUDITED FINANCIAL STATEMENTS FOR THE ~~SIX-MONTH~~ PERIOD ENDED JUNE 30, ~~2023~~2024

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

# KAJIKEN INTERNATIONAL, INC

## BALANCE SHEET

June 30, 2024

### Liabilities And Equity

#### CURRENT LIABILITIES

Loan Payable \$ 100.00

TOTAL CURRENT LIABILITIES \$ 100.00

TOTAL LIABILITIES 100.00

#### SHAREHOLDER'S EQUITY

Common Stock 4,552.86

Retained Earnings 74,001.82

Net Income or Loss 119,979.15

TOTAL SHAREHOLDER'S EQUITY 198,533.83

Total Liabilities And Equity \$ 198,633.83

**KAJIKEN INTERNATIONAL, INC**

**BALANCE SHEET**

June 30, 2024

**ASSETS**

Current Assets

Cash in Bank \$ 198,633.83

Total Current Assets \$ 198,633.83

TOTAL ASSETS \$ 198,633.83

# KAJIKEN INTERNATIONAL, INC

## INCOME STATEMENT

For the Six Months Ended June 30, 2024

|                                    | Amount                      | Percent             |
|------------------------------------|-----------------------------|---------------------|
| SALES                              |                             |                     |
| Sales                              | \$ <u>152,531.03</u>        | <u>100.00</u>       |
| TOTAL SALES                        | <u>152,531.03</u>           | <u>100.00</u>       |
| <br>                               |                             |                     |
| COST OF GOODS SOLD                 |                             |                     |
| TOTAL COST OF GOODS SOLD           | <u>0.00</u>                 | <u>0.00</u>         |
| <br>                               |                             |                     |
| GENERAL AND SELLING EXPENSES       |                             |                     |
| Legal and Accounting               | 9,851.25                    | 6.46                |
| Taxes & Licenses                   | 25.00                       | 0.02                |
| Travel                             | <u>6,960.63</u>             | <u>4.56</u>         |
| TOTAL GENERAL AND SELLING EXPENSES | <u>16,836.88</u>            | <u>11.04</u>        |
| <br>                               |                             |                     |
| Income From Operations             | <u>135,694.15</u>           | <u>88.96</u>        |
| <br>                               |                             |                     |
| OTHER INCOME                       |                             |                     |
| TOTAL OTHER INCOME                 | <u>0.00</u>                 | <u>0.00</u>         |
| <br>                               |                             |                     |
| OTHER EXPENSES                     |                             |                     |
| Corporate Income Tax               | <u>15,715.00</u>            | <u>10.30</u>        |
| TOTAL OTHER EXPENSES               | <u>15,715.00</u>            | <u>10.30</u>        |
| <br>                               |                             |                     |
| Net Income (Loss)                  | \$ <u><u>119,979.15</u></u> | <u><u>78.66</u></u> |

NO ASSURANCE IS PROVIDED FOR THESE FINANCIAL STATEMENTS

**KAJIKEN INTERNATIONAL, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**KAJIKEN INTERNATIONAL, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023, 2022 AND 2021**

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*Independent Auditor's Report*

To the Shareholder of  
Kajiken International, Inc.

Opinion

We have audited the accompanying financial statements of Kajiken International, Inc. (a California corporation), which comprise the balance sheets as of December 31, 2023, 2022 and 2021, and the related statements of operations and retained earnings (accumulated deficit), and cash flows for the years the ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kajiken International, Inc. as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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

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

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

Ellsworth & Stout, LLC

June 12, 2024  
Las Vegas, Nevada

**KAJIKEN INTERNATIONAL, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023, 2022 AND 2021**

|   | 2023             | 2022             | 2021            |
|---|------------------|------------------|-----------------|
| <b>ASSETS</b>                                     |                  |                  |                 |
| <b>Current Assets:</b>                            |                  |                  |                 |
| Cash  | \$ 78,655        | \$ 42,361        | \$ 5,023        |
| <b>Other Assets:</b>                              |                  |                  |                 |
| Deferred income taxes                             | -                | 4,323            | -               |
| <b>Total Assets</b>                               | <b>\$ 78,655</b> | <b>\$ 46,684</b> | <b>\$ 5,023</b> |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>       |                  |                  |                 |
| <b>Current Liabilities:</b>                       |                  |                  |                 |
| Income tax payable                                | \$ 14,388        | \$ -             | \$ -            |
| Current maturities of deferred franchise fees     | 2,000            | 2,000            | -               |
| Total current liabilities                         | 16,388           | 2,000            | -               |
| <b>Long-Term Liabilities:</b>                     |                  |                  |                 |
| Deferred franchise fees, net of current           | 14,833           | 16,833           | -               |
| <b>Total Liabilities</b>                          | <b>31,221</b>    | <b>18,833</b>    | <b>-</b>        |
| <b>Shareholder's Equity:</b>                      |                  |                  |                 |
| Common stock                                      | -                | -                | -               |
| Additional paid-in capital                        | 27,069           | 27,069           | 22,069          |
| Retained earnings (accumulated deficit)           | 20,365           | 782              | (17,046)        |
| <b>Total Shareholder's Equity</b>                 | <b>47,434</b>    | <b>27,851</b>    | <b>5,023</b>    |
| <b>Total Liabilities and Shareholder's Equity</b> | <b>\$ 78,655</b> | <b>\$ 46,684</b> | <b>\$ 5,023</b> |

*See accompanying notes to the financial statements.*

**KAJIKEN INTERNATIONAL, INC.**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (ACCUMULATED DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

|   | 2023      | 2022      | 2021        |
|---|-----------|-----------|-------------|
| <b>Revenue</b>  | \$ 83,875 | \$ 39,247 | \$ -        |
| <b>Operating Expenses:</b>  |           |           |             |
| Office expense and other  | -         | 30        | 45          |
| Professional fees   | 28,336    | 3,240     | 17,001      |
| Taxes and licenses  | 13,722    | 25        | -           |
| Travel  | 3,523     | -         | -           |
| Total operating expenses  | 45,581    | 3,295     | 17,046      |
| <b>Net Income (Loss) before Taxes</b>                             | 38,294    | 35,952    | (17,046)    |
| <b>Provision for Income Tax Benefit (Expense)</b>                 | (18,711)  | 4,323     | -           |
| <b>Net Income (Loss)</b>  | 19,583    | 40,275    | (17,046)    |
| <b>Retained Earnings (Accumulated Deficit), Beginning of Year</b> | 782       | (17,046)  | -           |
| <b>Shareholder Distributions</b>                                  | -         | (22,447)  | -           |
| <b>Retained Earnings (Accumulated Deficit), End of Year</b>       | \$ 20,365 | \$ 782    | \$ (17,046) |

*See accompanying notes to the financial statements.*

**KAJIKEN INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

|  | 2023                    | 2022                    | 2021                   |
|--|-------------------------|-------------------------|------------------------|
| <b>Cash Flows From Operating Activities:</b>   |                         |                         |                        |
| Net income (loss)  | \$ 19,583               | \$ 40,275               | \$ (17,046)            |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                         |                         |                        |
| Deferred income tax (benefit) expense  | 4,323                   | (4,323)                 | -                      |
| Changes in operating assets and liabilities:   |                         |                         |                        |
| Increase (decrease) in:  |                         |                         |                        |
| Income tax payable   | 14,388                  | -                       | -                      |
| Deferred franchise fees  | (2,000)                 | 18,833                  | -                      |
| Net cash provided by (used in) operating activities  | <u>36,294</u>           | <u>54,785</u>           | <u>(17,046)</u>        |
| <b>Cash Flows From Financing Activities:</b>   |                         |                         |                        |
| Shareholder contributions  | -                       | 5,000                   | 18,000                 |
| Shareholder distributions  | -                       | (22,447)                | -                      |
| Net cash provided by (used in) financing activities  | <u>-</u>                | <u>(17,447)</u>         | <u>18,000</u>          |
| <b>Net Change in Cash</b>  | 36,294                  | 37,338                  | 954                    |
| <b>Cash, Beginning of Year</b>   | <u>42,361</u>           | <u>5,023</u>            | <u>4,069</u>           |
| <b>Cash, End of Year</b>   | <u><u>\$ 78,655</u></u> | <u><u>\$ 42,361</u></u> | <u><u>\$ 5,023</u></u> |
| <b>Supplemental Cash Flow Information:</b>   |                         |                         |                        |
| Cash paid during the year for income taxes   | <u><u>\$ 12,603</u></u> | <u><u>\$ -</u></u>      | <u><u>\$ -</u></u>     |

*See accompanying notes to the financial statements.*

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Kajiken International, Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

### **Nature of the Business**

The Company was incorporated on March 9, 2020, under the laws of the state of California. The Company offers for sale a franchise to operate a distinctive casual-dining Japanese restaurant offering a variety of ramen (Japanese-style noodle) dishes and bowls, various appetizers, and other food, beverages, and related products under the trade name "Kajiken".

### **Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

### **Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Company considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

### **Accounts Receivable**

The Company's receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements.

Accounts receivable are reported net of an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to account receivable. For the years ended December 31, 2023, 2022, and 2021, there were no outstanding receivables, and consequently, no allowance for doubtful accounts.

**KAJIKEN INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2023, 2022 AND 2021**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

In accordance with ASC 606, the Company applies each of the following steps in the recognition of contract revenue:

- Identifies contracts with customers.
- Identifies performance obligations in contracts.
- Determines transaction prices.
- Allocates transaction prices to performance obligations in the contracts.
- Recognizes revenue when performance obligations are satisfied.

The Company executes franchise agreements for each franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee, a training fee, and continuing fees. Subject to the Company’s approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The Company has determined that the services provided in exchange for these initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee’s right to use and benefit from intellectual property.

The Company’s contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

|                          | <u>2023</u>      | <u>2022</u>      | <u>2021</u> |
|--------------------------|------------------|------------------|-------------|
| Deferred franchise fees  | \$ 16,833        | \$ 18,833        | \$ -        |
| Less: current maturities | <u>(2,000)</u>   | <u>(2,000)</u>   | <u>-</u>    |
|                          | <u>\$ 14,833</u> | <u>\$ 16,833</u> | <u>\$ -</u> |

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

|            |                  |
|------------|------------------|
| 2024       | \$ 2,000         |
| 2025       | 2,000            |
| 2026       | 2,000            |
| 2027       | 2,000            |
| 2028       | 2,000            |
| Thereafter | <u>6,833</u>     |
|            | <u>\$ 16,833</u> |

**KAJIKEN INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2023, 2022 AND 2021**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

Training fees are recognized as revenue upon the completion of initial training.

Continuing fees are recognized monthly, as they are earned.

**Income Taxes**

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future income. A valuation allowance is recorded for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Company were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. As of December 31, 2023, there were no uncertain tax positions.

The Company is no longer subject to potential income tax examinations by tax authorities for years in which the statute of limitations has expired.

**NOTE 2 – INCOME TAXES**

For the period ended December 31, the provision for income taxes consisted of the following components:

|                                | <u>2023</u>        | <u>2022</u>     | <u>2021</u> |
|--------------------------------|--------------------|-----------------|-------------|
| Current tax expense            | \$ (14,388)        | \$ -            | \$ -        |
| Deferred tax benefit (expense) | (4,323)            | 4,323           | -           |
|                                | <u>\$ (18,711)</u> | <u>\$ 4,323</u> | <u>\$ -</u> |

**KAJIKEN INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2023, 2022 AND 2021**

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**NOTE 2 – INCOME TAXES (Continued)**

As of December 31, the accompanying balance sheets included the following amounts of deferred tax assets:

|                        | <u>2023</u> | <u>2022</u>     | <u>2021</u> |
|------------------------|-------------|-----------------|-------------|
| Deferred tax asset     | \$ -        | \$ 4,323        | \$ -        |
| Deferred tax liability | -           | -               | -           |
|                        | <u>\$ -</u> | <u>\$ 4,323</u> | <u>\$ -</u> |

The deferred tax balances resulted primarily from differences between the accrual basis method used for financial reporting and the cash basis method used for tax reporting and net operating losses.

**NOTE 3 – REVENUE**

For the years ended December 31, revenue sources were as follows:

|                        | <u>2023</u>      | <u>2022</u>      | <u>2021</u> |
|------------------------|------------------|------------------|-------------|
| Initial franchise fees | \$ 2,000         | \$ 1,167         | \$ -        |
| Training fees          | -                | 30,000           | -           |
| Royalties              | 81,875           | 8,080            | -           |
|                        | <u>\$ 83,875</u> | <u>\$ 39,247</u> | <u>\$ -</u> |

For the years ended December 31, the timing and recognition of revenue was as follows:

|   | <u>2023</u>      | <u>2022</u>      | <u>2021</u> |
|---|------------------|------------------|-------------|
| Services transferred at a point in time | \$ 81,875        | \$ 38,080        | \$ -        |
| Services transferred over time          | 2,000            | 1,167            | -           |
|   | <u>\$ 83,875</u> | <u>\$ 39,247</u> | <u>\$ -</u> |

Various economic factors such as supply and demand, laws and policies, and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

**NOTE 4 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 12, 2024, the date which the financial statements were available to be issued. No events were identified that required adjustments of disclosure to the financial statements.

**EXHIBIT D  
TO FRANCHISE DISCLOSURE DOCUMENT**

**STATE-SPECIFIC ADDENDA**

## **ADDITIONAL STATE DISCLOSURES**

If the franchise is located in or if franchisee is a resident of any of the following states, then the designated provisions in the Uniform Franchise Disclosure Document (“Disclosure Document”) and Franchise Agreement will be amended as follows:

### **CALIFORNIA**

#### **ADDENDUM TO DISCLOSURE DOCUMENT**

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

Our website, [www.kajiken.biz](http://www.kajiken.biz), has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at <https://dfpi.ca.gov>

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.

1. The following language is added to the end of Item 3 of the Disclosure Document:

Neither Kajiken International, Inc., nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark 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, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law, but we will enforce it to the extent enforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in San ~~Diego~~Mateo, California, with the costs being borne by the non-prevailing party. The prevailing party shall be entitled to recover reasonable compensation for expenses, costs and fees in connection with arbitration, including reasonable attorney's fees. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

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. **THE REGISTRATION OF THIS FRANCHISE OFFERING BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.**

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

6. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

## HAWAII

### **ADDENDUM TO DISCLOSURE DOCUMENT**

These franchises will be/ have been filed under the Franchise Investment Law of the State of Hawaii. Filing does not constitute approval, recommendation or endorsement by the Director of Commerce and Consumer Affairs or a finding by the Director of Commerce and Consumer Affairs that the information provided herein is true, complete, and not misleading.

The Franchise Investment Law makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee, or subfranchisor, at least seven days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least seven days prior to the payment of any consideration by the franchisee, or subfranchisor, whichever occurs first, a copy of the Disclosure Document, together with an copy of all proposed agreements relating to the sale of the franchise.

This Disclosure Document contains a summary only of certain material provisions of the franchise agreement. The contract or agreement should be referred to for a statement of all rights, conditions, restrictions and obligations of both the franchisor and the franchisee.

## ILLINOIS

### ADDENDUM TO DISCLOSURE DOCUMENT

1. The “Summary” section of Item 17(v), entitled Choice of forum, is deleted in its entirety.
2. The “Summary” section of Item 17(w), entitled Choice of law, is deleted and replaced with the following:

Illinois law applies.

3. Illinois law governs the agreement(s) between the parties to this franchise.
4. Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void, provided that arbitration may take place outside of Illinois. 815 ILCS 705/4 (West 2010)
5. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void. 815 ILCS 705/41 (West 2010)
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.
7. The following language is added at the end of Item 5, as the last paragraph:

The payment of all Initial Franchise and Development Fees will be deferred until we have satisfied our pre-opening obligations to you, and you have commenced business operations. The Illinois Attorney General’s Office has imposed this deferral requirement due to our financial condition.

**ILLINOIS**

**AMENDMENT TO FRANCHISE AGREEMENT**

**The Franchise Agreement is specifically amended as follows:**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (as amended), the parties to the attached Franchise Agreement ("**Agreement**") agree as follows:

1. Section 16.3, "**Choice of Laws,**" is deleted in its entirety and replaced with the following:

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), THE FEDERAL ARBITRATION ACT, OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THE STATE OF ILLINOIS.

2. Section 16.2, "**Venue,**" is deleted in its entirety.
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provisions purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
4. **Waivers Void. (a)** Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee 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; **(b)** 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
5. Section 5.1, "**Initial Franchise Fee**" is amended by adding the following language as the last paragraph:

The payment of the Initial Franchise Fee will be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee have commenced business operations. The Illinois Attorney General's Office has imposed this deferral requirement due to Franchisor's financial condition.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**KAJIKEN INTERNATIONAL, INC.**

Franchisee: \_\_\_\_\_

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

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

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

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

**ILLINOIS**

**AMENDMENT TO AREA DEVELOPMENT AGREEMENT**

**The Area Development Agreement is specifically amended as follows:**

1. Illinois law governs the Area Development Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal of an agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Section XVI, “Entire Agreement,” is amended by adding the following language at the end of the section:

Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the representations made in the franchise disclosure document.

6. Section III, “**Development Fee**,” is amended by adding the following language:

The payment of the Development Fee will be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee have commenced business operations. The Illinois Attorney General’s Office has imposed this deferral requirement due to Franchisor’s financial condition.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**KAJIKEN INTERNATIONAL, INC.**

Franchisee: \_\_\_\_\_

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

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

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

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

## MARYLAND

### ADDENDUM TO DISCLOSURE DOCUMENT

1. The “**Summary**” section of Item 17(c) entitled **Requirements for you to renew or extend**, and the “**Summary**” section of Item 17(m) entitled **Conditions for our approval of transfer**, is amended by adding the following:

Any general release you sign shall not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law.

2. The “**Summary**” section of Item 17(h) entitled “**Cause**” **defined (defaults which cannot be cured)**, is amended by adding the following:

The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following are added to the end of the chart in Item 17:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

**MARYLAND**

**AMENDMENT TO FRANCHISE AGREEMENT**

**The Franchise Agreement is specifically amended as follows:**

Any provision requiring Franchisee to execute a general release of any and all claims against Franchisor shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

Termination upon bankruptcy of the Franchisee might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce it to the extent enforceable.

Sections 16.3 shall be supplemented by the following additional language:

PROVIDED, HOWEVER, THAT THIS LIMITATION OF CLAIMS SHALL NOT ACT TO REDUCE THE THREE (3) YEAR STATUTE OF LIMITATIONS AFFORDED FRANCHISEE FOR BRINGING A CLAIM UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Any provision of this Franchise Agreement which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 5.1, Initial Franchise Fee, shall be supplemented by the following additional language:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Exhibit 2, Guarantee, Indemnification and Acknowledgement, to the Franchise Agreement, shall be supplemented by the following additional language:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of any liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**KAJIKEN INTERNATIONAL, INC.**

Franchisee: \_\_\_\_\_

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

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

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

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

## MICHIGAN

### ADDENDUM TO DISCLOSURE DOCUMENT

The following disclosures are required by the State of Michigan:

1. 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 related to a franchise:

- A. A prohibition on the right of a franchisee to join an association of franchisees.
- B. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- C. A provision that permits a franchisor to terminate a franchise prior to the expiration of this term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- D. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- E. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- F. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- G. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. The 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:
  - 1) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

- 2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- 3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- 4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

2. If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00 the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

3. THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be direct to:

State of Michigan  
Consumer Protection Division  
Attention: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, MI 48933  
(517) 373-1160

**Note:** Despite paragraph F above, we intend to enforce fully the provisions of the arbitration section contained in the Franchise Agreement. We believe that paragraph F is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce this section as well.

## MINNESOTA

### ADDENDUM TO DISCLOSURE DOCUMENT

In accordance with the requirements of the state of Minnesota the following disclosure should be read in conjunction with the Disclosure Document. Any inconsistency with the information contained in the Disclosure Document will be resolved in favor of this Minnesota Addendum.

1. Item 13 **Trademarks** is amended by adding the following:

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any of your costs incurred in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by us, and so long as we are timely notified of the claim and are given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17 **Renewal, Termination, Transfer and Dispute Resolution** is amended by adding the following:

- A. **Renewal and Termination**

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

- B. **Choice of Forum and Choice of Law**

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

- C. **Releases**

A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.

3. **These franchises have been registered under the Minnesota Franchise Act, registration does not constitute approval, recommendation, or endorsement by the Commissioner of Commerce of Minnesota or a finding by the Commissioner that the information provided herein is true, complete, and not misleading.**

4. **The Minnesota Franchise Act makes it unlawful to offer or sell any franchise in this state which is subject to registration without first providing to the franchisee, at least 7 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 7 days prior to the payment of any consideration, by the franchisee, whichever occurs first, a copy of this Disclosure Document, together with a copy of all proposed agreements relating to the franchise. This Disclosure Document contains a summary only of certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for an understanding of all rights and obligations of both the franchisor and the franchisee.**

5. 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 franchise.

**MINNESOTA**

**AMENDMENT TO FRANCHISE AGREEMENT**

**The Franchise Agreement is specifically amended as follows:**

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et seq., the parties to the attached Franchise Agreement (“Agreement”) agree as follows:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Agreement.

As required by Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee’s right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.17, Subd. 5, which requires that no action may be commenced more than three years after the cause of action accrues.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit Franchisor from requiring litigation to be conducted outside Minnesota. Those provisions also provide that nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minn. Rule Part 2860.4400J prohibits a Franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; waiving any bond required by a court; or consenting to liquidated damages, Franchisor obtaining injunctive relief, termination penalties or judgment notes. However, Franchisor and Franchisee will enforce these provisions in the Agreement to the extent the law allows.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**KAJIKEN INTERNATIONAL, INC.**

Franchisee: \_\_\_\_\_

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

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

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

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

## NEW YORK

### ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. The following paragraphs are 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 SOURCES OF 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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23<sup>RD</sup> FLOOR, NEW YORK, NEW YORK, 10271-0332.**

**WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE 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 following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party 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.

B. No such party has 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.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-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 or deceptive practices or comparable allegations.

D. No such party 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.

3. The following is added to the end of Item 4:

Neither we nor any of our affiliates, predecessors, officers, or general partners have, during the 10-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) obtained a discharge of its debts under the U.S. 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 1 year after the officer or general partner of ours held this position in such company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your 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 Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Items 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

7. The following language is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following language is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**,” and Item 17(w), titled “**Choice of law**”:

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

## NORTH DAKOTA

### ADDENDUM TO DISCLOSURE DOCUMENT

1. The following language is added to the “Summary” section of Item 17(c) entitled **Requirements for you to renew or extend** and Item 17(m) entitled **Conditions for our approval of a transfer:**

The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The applicable portion of the “Summary” section of Item 17(i) entitled **Your obligations on termination/non-renewal** is amended to read as follows:

If we prevail in any enforcement action, you will pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement.

3. The following is added to the “Summary” section of Item 17(u) entitled **Dispute resolution by arbitration or mediation:**

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

4. The following is added to the “Summary” section of Item 17(r) entitled **Non-competition covenants after the franchise is terminated or expires:**

Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

5. The following is added to the “Summary” section of Item 17(v) entitled **Choice of forum:**

However, to the extent allowed by the North Dakota Franchise Investment Law, you may commence any cause of action against us in any court of competent jurisdiction, including the state or federal courts of North Dakota.

**NORTH DAKOTA**

**AMENDMENT TO FRANCHISE AGREEMENT**

1. The following is added to Section 3.2, “RENEWAL” and Section 14 “TRANSFER OF INTEREST”:

The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The following is added to Section 16.2, "VENUE":

However, to the extent allows by the North Dakota Franchise investment Law, Franchisee may commence any cause of action against Franchisor in any court of competent jurisdiction, including the state or federal courts of North Dakota.

3. The following is added to Section 16.1, “MANDATORY BINDING ARBITRATION”

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Franchisor and Franchisee mutually agree.

4. Section 18, “ACKNOWLEDGMENTS” is amended by the addition of the following language to the original language that appears therein to read as follows:

Franchisee acknowledges that Franchisee received a copy of this Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.

5. Section 13.1 (regarding post-term restrictions) is amended by the addition of the following language to the original language that appears therein:

Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**KAJIKEN INTERNATIONAL, INC.**

Franchisee: \_\_\_\_\_

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

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

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

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

**RHODE ISLAND**

**ADDENDUM TO DISCLOSURE DOCUMENT**

The following language is added to Item 17(v) entitled **Choice of forum**:

, except as otherwise required by the Rhode Island Franchise Investment Act

**RHODE ISLAND**

**AMENDMENT TO FRANCHISE AGREEMENT**

In recognition of the requirements of the Rhode Island Franchise Investment Act (Section 19-28.1-14), the parties to the attached Franchise Agreement agree as follows:

Section 16.2, “**VENUE**” is amended by adding the following:

§19-24.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**KAJIKEN INTERNATIONAL, INC.**

Franchisee: \_\_\_\_\_

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

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

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

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

**SOUTH DAKOTA**

**AMENDMENT TO FRANCHISE AGREEMENT**

**The Franchise Agreement is specifically amended as follows:**

The following provisions shall apply and supersede any provision in the Franchise Agreement to the contrary:

1. 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. As to contractual and all other matters, the Franchise Agreement will be and remain subject to the construction, enforcement and interpretation of the laws of the State specified in Article 16 of this Agreement. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of South Dakota, is deleted from any Franchise Agreement issued in the State of South Dakota.

2. Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, or consequential damages or any provision that provides that parties waive their right to a jury trial may not be enforceable under South Dakota law.

3. No release language set forth in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of South Dakota.

4. Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make Royalty payments contained in the Franchise Agreement shall afford you thirty (30) days written notice with an opportunity to cure the default before termination.

5. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement, schedules or attachments thereto, or the Disclosure Document, the terms of this Amendment shall govern.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**KAJIKEN INTERNATIONAL, INC.**

Franchisee: \_\_\_\_\_

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

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

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

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

## VIRGINIA

### ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Kajiken International, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

1. The following statement is added to Item 17.h:

“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 ground for default or termination stated in the franchise agreement does not constitute “reasonable cause”, as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

2. The following risk is added to the “**Special Risks to Consider About *This Franchise***” page:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$520,500 to \$728,500. This amount exceeds the franchisor’s stockholders’ negative equity as of December 31, 2022, which is \$46,684.

3. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

## WASHINGTON

### **ADDENDUM TO DISCLOSURE DOCUMENT**

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with Kajiken International, Inc. including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with Kajiken International, Inc. including the areas of termination and renewal of your franchise.

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.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by the franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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.

The following paragraph is added at the end of Item 5:

"In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee (a) has received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the Development Fee will be released proportionally with respect to each franchise outlet opened and is deferred until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location."

Transfer fees are collectable to the extent that they reflect Kajiken International, Inc.'s reasonable estimated or actual costs in effecting a transfer.

Liquidated damages in the amount of \$10,000 for compromising the secure access to the Manual, as disclosed in Item 6 and Item 11 of the Disclosure Document, will not be charged to franchisees located in the State of Washington.

The "Liquidated Damages for Early Termination" disclosed in Item 6 of the Disclosure Document will be limited to 24 months for franchisees located in the State of Washington. If you terminate the Franchise Agreement before the end of its term, we may require you to pay the lesser of (i) the total of all Royalty Fees paid for the 24 calendar months of operation of the Restaurant immediately preceding your default; (ii) the average amount of all Royalty Fees paid for the period of time the Restaurant has been in operation preceding your default if less than 24 calendar months, projected on a 24-calendar month basis; or (iii) the average amount of all Royalty Fees paid for the period of time the Restaurant has been in operation preceding your default if the unexpired term is less than 24 months at the time of termination.

## WASHINGTON

### **AMENDMENT ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration 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.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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.

The following language, which pertains to liquidated damages, is deleted from Section 6.4 "Operations Manual" of the Franchise Agreement:

"If Franchisee in any way compromises the secure access to the online version of the Manual, including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated damages in the amount of

\$10,000 for each such unauthorized access or disclosure, to compensate Franchisor for the breach and related damage to the Franchise Program.”

The following language is added as the last paragraph in Section 5.1 of the Franchise Agreement and Section III of the Area Development Agreement:

“In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee (a) has received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the Development Fee will be released proportionally with respect to each franchise outlet opened and is deferred until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.”

The obligations of Franchisee to indemnify Franchisor and other parties under Section 11.2 of the Franchise Agreement do not extend to liabilities caused by their negligence, willful misconduct, strict liability, or fraud. Franchisee does not waive or release claims against Franchisor for damages to property or injuries to persons arising out of the operation of the Restaurant that are caused by Franchisor, its current and former affiliates, or their respective officers, directors, and employees.

In Section 13.1, Non-Competition Covenants of Franchisee, of the Franchise Agreement, the term “immediate family members” shall be deleted from the provision.

Section 15.6.F., Liquidated Damages for Premature Termination, of the Franchise Agreement shall be deleted and replaced with the following provision:

“Franchisor and Franchisee agree that, at the time this Agreement is entered into, it would be extremely difficult or impracticable to ascertain Franchisor’s damages if the Agreement is terminated as a result of Franchisee’s default under this Agreement. Therefore, the parties reasonably estimate in good faith that fair compensation to Franchisor for such termination shall be as follows: Franchisee will pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the lesser of: (i) the total of all Royalty Fees paid for the 24 calendar months of operation of the Restaurant immediately preceding Franchisee’s default; (ii) the average amount of all Royalty Fees paid for the period of time the Restaurant has been in operation preceding Franchisee’s default, if less than 24 calendar months, projected on a 24-calendar month basis; or (iii) the average amount of all Royalty Fees paid for the period of time the Restaurant has been in operation preceding Franchisee’s default, if the unexpired Term is less than 24 months at the time of termination. The parties agree that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchisee’s default is difficult and the parties desire certainty in this matter in the extreme and agree that the lump sum payment provided under this Paragraph is reasonable in light of the damages for premature termination that Franchisor will incur in this event. This payment is not exclusive of any other remedies that Franchisor has, including attorney’s fees and costs.”

Section 15.7, Franchisor’s Rights and Remedies in Addition to Termination, of the Franchise Agreement is deleted in its entirety.

The "Acknowledgments" set forth in Sections 18.2, 18.3, 18.4, and 18.5 of the Franchise Agreement do not apply in the State of Washington.

The requirement that Franchisee execute a general release as a condition of Franchisor's consent to a transfer is hereby removed from Sections 14.3 and 14.4 of the Franchise Agreement and Section IX.(c) of the Area Development Agreement.

The following statements are hereby deleted from Paragraphs E. and F. of the "Introduction" in the Franchise Agreement:

"E. Franchisee has independently investigated the business contemplated by this Agreement and recognizes that the nature of the business may change over time, that an investment in a Kajiken Restaurant involves business risks, and that the venture's success depends primarily upon Franchisee's business abilities and efforts."

"F. Franchisee confirms that it is not relying upon any representation as to profits and/or sales volume that Franchisee may achieve nor upon any representations or promises by Franchisor that are not contained in this Agreement."

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**KAJIKEN INTERNATIONAL, INC.**

Franchisee: \_\_\_\_\_

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

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

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

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

**EXHIBIT E**  
**TO FRANCHISE DISCLOSURE DOCUMENT**  
**STATEMENT OF PROSPECTIVE FRANCHISEE**

**NOT FOR USE WITH FRANCHISEES OR FRANCHISES SUBJECT TO STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, AND WISCONSIN. DO NOT COMPLETE AND SIGN THIS QUESTIONNAIRE IF YOU ARE LOCATED, OR YOUR FRANCHISED BUSINESS WILL BE LOCATED IN ONE OF THE ABOVE-MENTIONED STATES.**

**KAJIKEN RESTAURANT  
STATEMENT OF PROSPECTIVE FRANCHISEE**

**[Note: Dates and Answers Must Be Completed in the Prospective Franchisee's Own Handwriting.]**

Since the Prospective Franchisee (also called "me," "our," "us," "we" and/or "I" in this document) and Kajiken International, Inc. (also called "Franchisor" or "Kajiken") both have an interest in making sure that no misunderstandings exist between them, and to verify that no violations of law might have occurred, and understanding that the Franchisor is relying on the statements I/we make in this document, I/we assure the Franchisor as follows:

**A. The following dates and information are true and correct:**

- |   |  |
|---|--|
| 1. _____, 20__<br><br><b>Initials</b> _____ | The date on which I/we received a Franchise Disclosure Document about a Kajiken Franchise.   |
| 2. _____, 20__<br><br><b>Initials</b> _____ | The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement and all other documents I/we later signed.                   |
| 3. _____, 20__<br><br><b>Initials</b> _____ | The earliest date on which I/we signed the Franchise Agreement or <u>any</u> other binding document (not including any Letter or other Acknowledgment of Receipt.) |
| 4. _____, 20__<br><br><b>Initials</b> _____ | The earliest date on which I/we delivered cash, check or other consideration to the Franchisor, or any other person or company.                                    |

**B. Representations and Other Matters:**

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side deals," options, rights-of-first-refusal or otherwise of any type (collectively, the "representations"), including, but not limited to, any which expanded upon or were inconsistent with the Disclosure Document, the Franchise Agreement, or any other written documents, have been made to or with me/us with respect to any matter (including, but not limited to, advertising, marketing, site location and/or development, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise) nor have I/we relied in any way on any such representations, except as expressly set forth in the Franchise Agreement, or a written Addendum thereto signed by the Prospective Franchisee and the Franchisor, except as follows:

\_\_\_\_\_  
(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

**Prospective Franchisee's Initials:** \_\_\_\_\_

2. No oral, written, visual or other claim, guarantee or representation (including, but not limited to, charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, was made to me/us by Franchisor, its affiliates or agents/representatives, nor have I/we relied in any way on any such, except for information (if any) expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein), except as follows:

\_\_\_\_\_.

**Prospective Franchisee's Initials:** \_\_\_\_\_

3. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including, but not limited to, the Prospective Franchisee obtaining any financing, the Prospective Franchisee's selection, purchase, lease or otherwise of a location, any operational matters or otherwise) or the Prospective Franchisee fully performing any of the Prospective Franchisee's obligations, nor is the Prospective Franchisee relying on the Franchisor or any other entity to provide or arrange financing of any type, nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum thereto signed by the Prospective Franchisee and the Franchisor, except as follows:

\_\_\_\_\_.

(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

**Prospective Franchisee's Initials:** \_\_\_\_\_

4. The individuals signing for the "Prospective Franchisee" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of such individuals has received the Uniform Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each written Addendum and any Personal Guarantees.

**Prospective Franchisee's Initials:** \_\_\_\_\_

5. I/we have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and the Franchisor has strongly recommended that I/we obtain such independent professional advice. I/we have also been strongly advised by the Franchisor to discuss my/our proposed purchase of, or investment in, a Kajiken Restaurant with existing Franchisees prior to signing any binding documents or paying any sums and I/we have been supplied with a list of existing Kajiken Restaurant Franchisees.

**Prospective Franchisee's Initials:** \_\_\_\_\_

6. I confirm that, as advised, I've spoken with past and/or existing Kajiken Restaurant Franchisees, and that I made the decision as to which, and how many, Kajiken Restaurant Franchisees to speak with.

**Prospective Franchisee's Initials:** \_\_\_\_\_

7. I/we understand that: entry into any business venture necessarily involves some unavoidable risk of loss or failure, the purchase of a Kajiken Restaurant (or any other) is a speculative investment, an investment beyond that outlined in the Disclosure Document may be required to succeed, there exists no guaranty against possible loss or failure in this or any other business and the most important factors in the success of any Kajiken Restaurant, including the one to be operated by me/us, are my/our personal business, marketing, sales, management, judgment and other skills.

**Prospective Franchisee's Initials:** \_\_\_\_\_

8. I/we understand and agree that the Franchisor does not furnish or endorse, or authorize its salespersons or others to furnish or endorse, any oral, written or other information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, that such information (if any) not expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein) is not reliable and that I/we have not relied on it, that no such results can be assured or estimated and that actual results will vary from unit to unit, Franchise to Franchise, and may vary significantly.

**Prospective Franchisee's Initials:** \_\_\_\_\_

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all of its statements being true, correct and complete, I/we will (a) **immediately** inform the Franchisor's attorney (858-793-1094) and an officer of the Franchisor and (b) make a written statement regarding such next to my signature below so that the Franchisor may address and resolve any such issue(s) at this time and before either party goes forward.

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

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

**PROSPECTIVE FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

**PROSPECTIVE FRANCHISEE (Corp., LLC, or Partnership) – Must be accompanied by appropriate personal guarantee(s)**

\_\_\_\_\_  
Legal Name of Entity

a \_\_\_\_\_  
State of incorporation, formation, etc.

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

Its: \_\_\_\_\_

**EXHIBIT F**  
**TO FRANCHISE DISCLOSURE DOCUMENT**  
**TABLE OF CONTENTS OF THE OPERATIONS MANUAL**

**KAJIKEN OPERATIONS MANUAL**  
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**EXHIBIT G  
TO FRANCHISE DISCLOSURE DOCUMENT**

**FORM OF GENERAL RELEASE**

## GENERAL RELEASE

\_\_\_\_\_ (“FRANCHISEE”) and \_\_\_\_\_, an individual (“GUARANTOR”) enter into this General Release on \_\_\_\_\_, with reference to the following facts:

1. On \_\_\_\_\_, **Kajiken International, Inc.**, a California corporation, (“FRANCHISOR”) and FRANCHISEE entered into a Franchise Agreement (the “**Franchise Agreement**”) to operate a Kajiken Restaurant Franchised Business located at \_\_\_\_\_ (the “**Premises**”). GUARANTOR guaranteed FRANCHISEE’S performance under the Franchise Agreement pursuant to a Guarantee and Assumption of Obligations (the “**Guarantee**”). In consideration of FRANCHISOR’S processing and approval of \_\_\_\_\_, the Franchise Agreement provides that FRANCHISEE must sign this General Release as a condition to such \_\_\_\_\_. All capitalized terms not otherwise defined in this General Release shall have the same meaning as in the Franchise Agreement and/or the Guarantee.

2. For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, FRANCHISEE and GUARANTOR hereby release and forever discharge FRANCHISOR, its current and former parents and subsidiaries and the past and present directors, officers, employees, attorneys and agents of said corporations, and each of them, from any and all claims, obligations, liabilities, demands, costs, expenses, damages, actions and causes of action, of whatever nature, character or description, known or unknown (collectively “**Damages**”), which arose on or before the date of this General Release, including any Damages with respect to the Franchise Agreement, the Franchised Business, the Premises, and the Guarantee. FRANCHISEE waives any right or benefit which FRANCHISEE or GUARANTOR may have under Section 1542 of the California Civil Code or any equivalent law or statute of any other state. Section 1542 of the California Civil Code reads as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

3. [This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.](#)

4. \_\_\_\_\_ This General Release sets forth the entire agreement and understanding of the parties regarding the subject matter of this General Release and any agreement, representation or understanding, express or implied, heretofore made by any party or exchanged between the parties are hereby waived and canceled.

45. This Agreement shall be binding upon each of the parties to this General Release and their respective heirs, executors, administrators, personal representatives, successors, and assigns.

*[Signatures on Following Page]*

**IN WITNESS WHEREOF**, the undersigned have executed this Agreement as of the day and year set forth above.

**FRANCHISEE:**

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

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

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

**GUARANTOR:**

By: \_\_\_\_\_, **an individual**

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

**EXHIBIT H**  
**TO FRANCHISE DISCLOSURE DOCUMENT**  
**LIST OF CURRENT FRANCHISEES AND THEIR OUTLETS**

**LIST OF FRANCHISEES AND THEIR OUTLETS AT OUR FISCAL YEAR END (DECEMBER 31, ~~2022~~2023)**

| FRANCHISEE                           | CONTACT                                     | STREET ADDRESS                          | CITY                      | STATE              | ZIP                   | PHONE                        |
|--------------------------------------|---|---|---------------------------|--------------------|-----------------------|------------------------------|
| <a href="#">Kajiken USA LLC</a>      | <a href="#">Timothy Lu</a>                  | <a href="#">112 S B St.</a>             | <a href="#">San Mateo</a> | <a href="#">CA</a> | <a href="#">94401</a> | <a href="#">650-246-9758</a> |
| <a href="#">LCR Chinatown L.L.C.</a> | <a href="#">Ting Ting Zheng<br/>"Kenny"</a> | <a href="#">2161 S China Pl, Unit A</a> | <a href="#">Chicago</a>   | <a href="#">IL</a> | <a href="#">60616</a> | <a href="#">321-285-2972</a> |
| Triple Investment, LLC               | Edward Yo                                   | 7 E 33rd St.                            | Baltimore                 | MD                 | 21218                 | 443-835-4617                 |

**FRANCHISE AGREEMENTS SIGNED, BUT OUTLETS NOT OPENED IN OUR FISCAL YEAR ~~2022~~2023**

| FRANCHISEE   | CONTACT  | STREET ADDRESS   | CITY  | STATE                            | ZIP                                    | PHONE / EMAIL  |
|--|--|--|---|----------------------------------|--|--|
| <del>Kajiken USA</del> <a href="#">Venturant Group LLC</a> * | <del>Timothy Lu</del> <a href="#">Roy Liao</a> | <del>112 S B St.</del> <a href="#">1001 6<sup>th</sup> Ave</a> | <del>San Mateo</del> <a href="#">New York</a> | <del>CA</del> <a href="#">NY</a> | <del>94401</del> <a href="#">10018</a> | <del>650-246-9758</del> <a href="#">646-455-0068</a> |

\*This outlet was opened in 2023, prior to the Issuance Date of this disclosure document.

**EXHIBIT I  
TO FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT**

There are none.

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

**Exhibit J**  
**To Franchise Disclosure Document**  
**AREA DEVELOPMENT AGREEMENT**

**KAJIKEN RESTAURANT**  
**AREA DEVELOPMENT AGREEMENT**

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### EXHIBITS

- A. DESCRIPTION OF TERRITORY
- B. DEVELOPMENT SCHEDULE
- C. GUARANTY AND ASSUMPTION OF OBLIGATIONS

**KAJIKEN RESTAURANT  
AREA DEVELOPMENT AGREEMENT**

This Kajiken Restaurant Development Agreement (this "Agreement") is made ~~and entered into~~ this \_\_\_\_ day of \_\_\_\_\_ effective as of the Effective Date, by and between Kajiken International, Inc., a California corporation, doing business as "Kajiken" ("Franchisor") and \_\_\_\_\_, a/an \_\_\_\_\_ ("Developer"). The "Effective Date" is the date Franchisor signs this Agreement as shown beneath its signature hereto.

**RECITALS**

A. **WHEREAS**, Franchisor's founder, Kenichi Kaji, owns and has developed and administers a system, including various business techniques and methods, trade secrets (including recipes), copyrights (possibly patentable ideas), ingredient lists, confidential and proprietary information and other intellectual property rights (collectively, the "System") for the establishment and operation of casual-dining Japanese restaurants offering a variety of ramen (Japanese-style noodle) dishes and bowls, various appetizers, and other food, beverages, and related products ("Kajiken Restaurants") identified by the "Kajiken" trade name, logo and other trademarks and service marks and related trade dress, as licensed hereunder (the "Marks").

B. **WHEREAS**, the System includes the Marks and trade secrets, proprietary methods and information and procedures for the establishment and operation of Kajiken Restaurants, including, without limitation, confidential manuals (collectively, the "Manual"), recipes, ingredients, menu specifications, marketing, advertising and sales promotions, equipment, furniture and fixtures, cost controls, accounting and reporting procedures, training methods, distinctive interior design and display procedures, and color scheme and décor.

C. **WHEREAS**, Kenichi Kaji has granted Franchisor the non-exclusive right to franchise the System and the Marks in connection with its franchise program. Under its franchise program, Franchisor grants to qualified persons, who are willing to undertake the required investment and effort, a license to open and operate a Kajiken Restaurant.

D. **WHEREAS**, Developer has applied for an option to obtain licenses to establish and operate multiple Kajiken Restaurants within a specified protected territory, and such application has been approved by Franchisor in reliance upon all of the representations made therein.

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

**I. GRANT**

(a) Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, options to obtain licenses to establish and operate \_\_\_\_\_ (\_\_\_\_) Kajiken Restaurants within the territory described in Exhibit A attached hereto and incorporated herein by this reference (the "Designated Territory").

(b) Developer shall be bound by the Development Schedule ("Development Schedule") set forth in Exhibit B. Time is of the essence to this Agreement. Each Kajiken Restaurant shall be established

and operated pursuant to a separate franchise agreement (“Franchise Agreement”) to be entered into by Developer and Franchisor. Each Franchise Agreement shall be in Franchisor’s then-current form of the Franchise Agreement. Developer acknowledges and agrees that all Franchise Agreements entered into in connection with the Kajiken Restaurants within the Designated Territory are independent of this Agreement. The continued existence of such Franchise Agreement shall not depend on the continuing existence of this Agreement.

(c) This Agreement is not a Franchise Agreement, and Developer shall have no right to use the Marks in any manner by virtue hereof or to engage in the business of offering, selling or distributing goods or services under the Marks or the System in any manner.

(d) Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks.

## **II. PROTECTED TERRITORY**

(a) Developer will receive a protected territory under this Agreement. So long as Developer is in good standing and in compliance with this Agreement, Franchisor will not establish or license another to establish a Kajiken Restaurant in the Designated Territory for the term of this Agreement.

(b) During the term of this Agreement, Franchisor reserves the right to:

(i) establish and operate, and allow others to establish and operate, Kajiken Restaurants using the Marks and the System, at any location outside the Designated Territory, on such terms and conditions Franchisor deems appropriate;

(ii) establish and operate, and allow others to establish and operate, Competitive Businesses that may offer products and services which are identical or similar to products and services offered by Kajiken Restaurants, under trade names, trademarks, service marks and commercial symbols different from the Marks outside the Designated Territory;

(iii) establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, temporary or mobile facilities, sales through retail stores that do not operate under the Marks, sales made at wholesale, or sales via the Internet), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Kajiken Restaurants, and that sell products and/or services that are identical or similar to, and/or competitive with, those that Kajiken Restaurants customarily sell;

(iv) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Kajiken Restaurants, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Designated Territory);

(v) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to

those provided at Kajiken Restaurants, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Designated Territory; and

- (vi) engage in all other activities not expressly prohibited by this Agreement.

### **III. DEVELOPMENT FEE**

(a) As consideration for the rights and options granted herein, Developer shall pay to Franchisor a development fee (“Development Fee”) in an amount equal to \$40,000 multiplied by the number of Kajiken Restaurants to be developed under the terms of this Agreement within the Designated Territory. The Development Fee is to be paid in a lump sum simultaneously with the execution of this Agreement. The Development Fee is fully earned by Franchisor when paid and is non-refundable, in whole or in part, under any circumstance.

(b) The Development Fee is fully earned by Franchisor when paid and is non-refundable for the reason that, upon the signing of this Agreement, Franchisor will hold the Designated Territory for Developer and will not establish or license another to establish a Kajiken Restaurant in the Designated Territory until Developer has established and opened all the Kajiken Restaurants as agreed hereunder.

(c) Developer shall submit a separate application for each Kajiken Restaurant to be established within the Designated Territory by Developer. Upon approval of the site for the Kajiken Restaurant by Franchisor, a separate Franchise Agreement shall be executed for such Kajiken Restaurant.

(d) Notwithstanding anything to the contrary contained in the Franchise Agreement, the Initial Franchise Fee due for each Kajiken Restaurant developed hereunder shall be reduced to \$40,000.

(e) Each time Developer signs a Franchise Agreement for a Kajiken Restaurant developed hereunder, Franchisor will credit the amount paid for the Restaurant, as part of the Development Fee, against the Initial Franchise Fee due for such Restaurant.

(f) Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Kajiken Restaurant.

### **IV. DEVELOPMENT SCHEDULE AND MANNER OF EXERCISING OPTIONS**

(a) Developer agrees to have open and in operation at the end of each ~~development period set forth on~~ Development Period, as defined in the Development Schedule, the cumulative number of Kajiken Restaurants set forth on the Development Schedule. During each Development Period, Developer shall exercise options by entering into Franchise Agreements with Franchisor pursuant to this Agreement for the number of Kajiken Restaurants described under the Development Schedule and have such number of Kajiken Restaurants open for business. Developer shall at all times after the expiration of each of the Development Periods continuously maintain in operation pursuant to each Franchise Agreement at least the number of Kajiken Restaurants set forth on the Development Schedule, provided however that such obligation does not apply to Kajiken Restaurants that are transferred in accordance with the provisions of the Franchise Agreement, or are closed due to force majeure.

(b) Developer shall exercise each option granted herein only as follows:

(i) By giving Franchisor written notice of Developer's intention to exercise such option at least thirty (30) days before the execution of the Franchise Agreement for the applicable business; and

(ii) By executing the then-current form of the Franchise Agreement for the applicable Kajiken Restaurant and complying with its terms, including, without limitation, the payment of the unpaid balance of the applicable Initial Franchise Fee.

(c) Franchisor shall execute the Franchise Agreement only if (i) Developer is in compliance with all requirements and obligations of this Agreement and all other agreements between Franchisor and Developer, and (ii) Developer is in strict compliance with all of Developer's respective obligations under each Franchise Agreement, including, without limitation, its financial obligations and obligation to operate each Kajiken Restaurant in compliance with the System. In order to meet the Development Schedule, the Franchise Agreement must be executed by Developer/[Franchisee](#) and Franchisor and the Kajiken Restaurant to be operated under such Franchise Agreement must be open for business within the applicable Development Period. Developer must comply with all of the terms and conditions of each Franchise Agreement.

## **V. TERM**

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all rights granted hereunder to Developer shall expire on the date of Franchisor's acceptance and execution of a Franchise Agreement for the last ~~of the~~ Kajiken Restaurants to be established pursuant to the Development Schedule.

## **VI. DEVELOPER'S DUTIES**

Developer shall perform the following obligations:

(a) Developer shall comply with all terms and conditions set forth in this Agreement.

(b) Developer shall comply with all of the terms and conditions of each Franchise Agreement, including, without limitation, the operating requirements specified in each Franchise Agreement. However, Developer will not be required to attend the initial franchisee training conducted by Franchisor in connection with the second or any subsequent Kajiken Restaurant.

(c) At Franchisor's option, at any time during this Agreement, Franchisor may require Developer to engage a district manager to oversee the development and operation of Developer's Kajiken Restaurant. Such district manager shall be in addition to, not in lieu of, the managers responsible for the day to day operations of the Kajiken Restaurants, as required under the Franchise Agreements.

(d) Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and Developer shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. All of Developer's employees or agents who must have access to such information or materials shall be required to execute nondisclosure agreements in the form acceptable to Franchisor. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or

otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

(e) Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

(f) Developer shall return to Franchisor all manuals and other confidential information that Developer received from Franchisor in the course of operating the Kajiken Restaurant when Developer leaves the System.

## **VII. PROPRIETARY MARKS/CONFIDENTIALITY**

Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that this Agreement does not grant Developer any right to use the Marks or to use any of Franchisor's confidential information. Further, it is understood and agreed that this Agreement does not grant Developer, and Developer does not have any right to, any copyright or patent which Franchisor now owns or may hereinafter own. Rights to the Marks, confidential information or copyrights are granted only under the Franchise Agreements to be executed by Franchisor and Developer/[Franchisee](#).

## **VIII. DEFAULT AND TERMINATION**

(a) The options granted to Developer in this Agreement have been granted in reliance on Developer's representations and warranties, and strictly on the conditions set forth in this Agreement, including, without limitation, the condition that Developer strictly complies with the Development Schedule.

(b) Developer shall be deemed in default under this Agreement, and all rights granted herein to Developer shall automatically terminate without notice: (i) if Developer is adjudicated bankrupt, becomes insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of Developer's property or any part thereof is appointed by a court of competent authority or if Developer makes a general assignment for the benefit of Developer's creditors; (ii) if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); (iii) if execution is levied against Developer's business or property; or (iv) if suit to foreclose any lien or mortgage against Developer's premises or equipment is instituted against Developer and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by Developer.

(c) If Developer (i) fails to exercise options and enter into Franchise Agreements with Franchisor pursuant to this Agreement for a Kajiken Restaurant within any Options Period, as set forth on the Development Schedule; (ii) fails to comply with any other term or condition of this Agreement; (iii) makes or attempts to make a transfer or assignment in violation of this Agreement; (iv) fails to comply with or meet any operational standards, including, but not limited to, the System Standards and Performance Standards in any individual Franchise Agreement with Franchisor; or if Developer fails to comply with the terms and conditions of any individual Franchise Agreement with Franchisor or of any other agreement to which Developer and Franchisor are parties, any such event shall constitute a default under this Agreement. Upon any such default, Franchisor, in Franchisor's discretion, may do any one or more of the following:

1. Terminate this Agreement and all rights granted hereunder to Developer, without affording Developer any opportunity to cure the default, effective immediately upon receipt by Developer of written notice from Franchisor;

2. Reduce the number of Kajiken Restaurants, without refunding any of the Development Fee, which are subject to options granted to Developer pursuant to this Agreement; or

3. Exercise any other rights and remedies that Franchisor may have.

(d) Upon termination of this Agreement, all remaining options granted Developer to establish Kajiken Restaurants under this Agreement shall automatically be null and void. Developer shall have no right to establish or operate any Kajiken Restaurant for which a Franchise Agreement has not been executed by Franchisor. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by Developer thereunder and shall control in determining whether any default exists under such Franchise Agreement.

(e) No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

#### **IX. TRANSFERABILITY**

(a) Developer acknowledges that Franchisor maintains a staff to manage and operate the franchise system and that staff members can change as employees come and go. Developer represents that Developer has not signed this Agreement in reliance on any particular owners, directors, officers or employees remaining with Franchisor in that capacity. Franchisor may change Franchisor's ownership or form and/or assign this Agreement and any other agreement to a third party without restriction.

(b) Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and are granted in reliance upon Developer's personal qualifications. Developer has represented and hereby represents to Franchisor that Developer is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the developmental or option rights hereunder.

(c) Neither Developer, nor any of Developer's partners (if Developer is a partnership), members (if Developer is a limited liability company) or shareholders (if Developer is a corporation), without Franchisor's prior written consent, by operation of law or otherwise, shall sell, assign, transfer, convey, give away or encumber to any person, firm or corporation, all or any part of Developer's interest in this Agreement or Developer's interest in the rights granted hereby or Developer's interest in any proprietorship, partnership, limited liability company, corporation or other entity which owns any interest in such rights, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person, firm or corporation. Developer may not, without Franchisor's prior written consent, fractionalize any of Developer's rights granted pursuant to this Agreement. Any purported assignment of any of Developer's or any of Developer's partner's, member's or shareholder's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder. Any assignment or transfer may only be made if the proposed assignees or transferees: (i) are of good moral character and have sufficient business experience, aptitude and financial resources, (ii) otherwise meet Franchisor's then applicable standards for developers, (iii) are willing to assume all of Developer's obligations hereunder and to execute and be bound by all provisions of Franchisor's then-

current form of the Area Development Agreement for a term equal to the remaining term hereof; and (iv) willing to assume all of Developer's obligations under each and every Franchise Agreement Developer entered with Franchisor. As a condition to granting Franchisor's approval of any such assignment or transfer, Franchisor may require Developer or the assignee or transferee to pay to Franchisor, Franchisor's then-current assignment fee to defray expenses incurred by Franchisor in connection with the assignment or transfer, legal and accounting fees, credit and other investigation charges and evaluation of the assignee or transferee and the terms of the assignment or transfer. Franchisor shall have the right to require Developer and Developer's owners to execute a general release of Franchisor and Franchisor's owners, directors, officers, successors and assigns, in form and content satisfactory to Franchisor as a condition to Franchisor's approval of the assignment of this Agreement or ownership of Developer.

(d) This Agreement may be assigned to a partnership, limited liability company or corporation which conducts no business other than the business contemplated hereunder and the operation of the Kajiken Restaurant(s), which is/are actively managed by Developer and in which Developer owns and controls, and continues to own throughout the term of this Agreement, not less than fifty-one percent (51%) of the general partnership interest, limited liability company interest or the corporate equity and voting power, provided that all partners, members or shareholders shall execute an assignment agreement in a form approved by Franchisor undertaking to be bound jointly and severally by all provisions of this Agreement and all issued and outstanding stock certificates of such corporation or other evidence of ownership interest in a partnership or limited liability company shall bear a legend reflecting or referring to the restrictions of this Agreement as designated by Franchisor.

(e) If Developer or Developer's owners shall at any time determine to sell the rights under this Agreement or any of Developer's respective ownership interests in Developer or any of Developer's assets (except in the ordinary course of business), Developer or Developer's owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor, which shall, for a period of fifteen (15) days from the date of delivery of such offer, have the right, exercisable by written notice to Developer or Developer's owners, to purchase such rights under this Agreement or such ownership interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and that Franchisor shall have not less than sixty (60) days to prepare for closing. If Franchisor does not exercise this right of first refusal, Developer or Developer's owners, as applicable, may complete the sale of such interest in this Agreement or such ownership interest, subject to Franchisor's approval of the purchaser as provided in this Section IX, provided that if such sale is not completed within ninety (90) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal provided herein.

(f) Developer must give Franchisor ninety (90) days' written notice prior to any sale or assignment of a full or partial interest in Developer by Developer or any of Developer's owners. The purpose of this Subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure laws. Developer agrees to indemnify and hold Franchisor harmless for Developer's failure to comply with this Subsection.

(g) Developer must, within fifteen (15) days of receipt of an offer to buy, give Franchisor written notice whenever Developer or any of Developer's owners have received an offer to buy Developer's or such owner's interest in this Agreement or an interest in Developer itself or any options pursuant to this Agreement. Developer must also give Franchisor written notice simultaneously with an

offer to sell any interest in this Agreement or an interest in Developer or any options pursuant to this Agreement, made by, for or on behalf of Developer or any of Developer's owners.

(h) No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the options granted thereby, shall relieve Developer and the shareholders, members or partners participating in any transfer, of the obligations of the covenants not to compete with Franchisor contained in this Agreement except where Franchisor shall expressly authorize in writing.

## **X. COVENANTS**

(a) Developer acknowledges that Franchisor has granted Developer the rights under this Agreement in consideration of and reliance upon Developer's agreement to deal exclusively with Franchisor. Developer therefore agrees that, during this Agreement's term, neither Developer, any of Developer's owners, nor any of Developer's or Developer's owners' immediate family members will:

(i) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subsection);

(ii) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(iii) divert or attempt to divert any actual or potential business or customer of a Kajiken Restaurant to a Competitive Business; or

(iv) engage in any other activity which might injure the goodwill of the Marks and/or the System.

The term "Competitive Business" means any business (other than a Kajiken Restaurant) principally offering products and services substantially similar to the products and services then being offered by the majority of the Kajiken Restaurants.

(b) Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, partnership, limited liability company or corporation, own, maintain, engage in, consult with or have any interest in any Competitive Business within the Designated Territory or within a five (5) mile radius of any other Kajiken Restaurant in operation or under construction on the later of the effective date of termination or expiration of this Agreement or on the date on which all persons restricted by this Subsection begin to comply with this Subsection.

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

(d) Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section X (a) or X (b) of this Agreement, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees that Developer shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XVI hereof.

(e) Franchisor shall have the right to require all of Developer's personnel performing managerial or supervisory functions and all personnel receiving special training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

(f) In addition to the foregoing covenants, Developer shall be bound by and comply with the covenants contained in each Franchise Agreement executed by Franchisor and Developer.

**XI. NOTICES**

(a) All notices which the parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be in writing and shall be given by any of the following methods: (1) personally delivered; ~~or (2)~~ mailed by certified or registered mail, return receipt requested, postage paid; ~~or (3)~~ by reliable overnight delivery service, ~~addressed;~~ or (4) by electronic transmission, including email and facsimile.

The addresses for the parties are as follows:

**If to Franchisor:**

Kajiken International, Inc.  
Attention: Kenichi Kaji  
~~3760 Convoy Street, Suite 219~~ 112 B St.  
San Diego ~~Mateo~~, CA ~~92111~~ 94401  
Email: [kajiken96@kajiken96.com](mailto:kajiken96@kajiken96.com)

**If to Developer:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

(b) The above addresses ~~provided above~~ given for notices may be changed at any time by either party by giving ten (10) calendar days prior written notice ~~given~~ to the other party, as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand. Notices sent by electronic transmission shall be deemed to have been given on the next business day after being sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email or facsimile has not been delivered.

## **XII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

(a) It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

(b) Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end.

(c) Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any act or omission of Developer in Developer's conduct of any Kajiken Restaurant or any claim or judgment arising therefrom. Developer shall indemnify and hold Franchisor harmless against any and all such claims directly or indirectly from, as a result of or in connection with Developer's operations hereunder or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

(d) Developer acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at Franchisor's sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any developer based upon the peculiarities of the particular location or circumstance, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of Developer's business under any Franchise Agreement. Developer shall not be entitled to require Franchisor to disclose or grant to Developer a like or similar variation hereunder to that which may be accorded to any other developer.

## **XIII. APPROVALS**

(a) Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing.

(b) Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Agreement or by reason of any neglect, delay or denial of any request therefor.

## **XIV. NON-WAIVER**

No failure by Franchisor to exercise any power reserved to Franchisor in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's right in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance or omission by Franchisor to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions or covenants of this

Agreement, affect or impair Franchisor's rights, nor shall the same constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

**XV. SEVERABILITY AND CONSTRUCTION**

- (a) Each provision of this Agreement shall be deemed severable from the others.
- (b) Nothing in this Agreement shall confer upon any person or legal entity other than the parties hereto and such of their respective successors and assigns as may be contemplated by Section IX hereof, any rights or remedies under or by reason of this Agreement.
- (c) All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.
- (d) All references herein to gender and number shall be construed to include such other gender and number as the context may require and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all the parties hereto which execute this Agreement on Developer's behalf.
- (e) This Agreement may be executed in duplicate and each copy so executed shall be deemed an original.
- (f) Nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document.

**XVI. ENTIRE AGREEMENT**

This Agreement constitutes the entire, full, and complete agreement between the parties hereto concerning the subject matter hereof and supersedes all prior agreements. However, nothing contained herein shall be deemed a waiver of any rights that Developer may have to rely on information contained in the franchise disclosure document. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

**XVII. SUPERIORITY OF FRANCHISE AGREEMENT**

For each Kajiken Restaurant developed in the Designated Territory, a separate Franchise Agreement shall be executed and any individual Initial Franchise Fee, as prescribed by Franchisor, shall be paid to Franchisor. It is understood and agreed by Developer that any and all Franchise Agreements executed in connection with the Kajiken Restaurant(s) within the Designated Territory are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Designated Territory, the latter shall have precedence and superiority over the former.

**XVIII. ENFORCEMENT**

- (a) No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by

law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

(b) Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause Franchisor, the Marks and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to Franchisor's obligation to arbitrate the underlying claim if required by Section XIX). Developer agrees that Franchisor may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. Developer agrees that Franchisor will not be required to post a bond to obtain injunctive relief and that Developer's only remedy if an injunction is entered against Developer will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

## **XIX. DISPUTE RESOLUTION**

For the purposes of this Section XIX, "Developer" shall be deemed to include its owners, affiliates and its respective employees, and "Franchisor" shall be deemed to include Franchisor, its parent, and its affiliates.

### **(a) MEDIATION, MANDATORY BINDING ARBITRATION, AND WAIVER OF COURT TRIAL**

Developer and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Developer and Franchisor have agreed that the provisions of this Section XIX support these mutual objectives and, therefore, agree as follows:

(1) **Claim Process.** Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, including any claim for equitable relief and/or where Developer is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Developer and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner, Developer and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section XIX.(4).

(i) First, the Claim will be discussed in a face-to-face meeting held in the county where Franchisor's then-current headquarters is located, within thirty (30) days after either Developer or Franchisor give written notice to the other proposing such a meeting.

(ii) Second, if the Claim is not resolved, submitted to non-binding mediation. Developer and Franchisor will split the costs and each will bear their own expenses of any mediation in the county where Franchisor's then-current headquarters is located. Any mediation/arbitration will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding. If both Developer and Franchisor do not want to participate in mediation, then they may proceed to arbitration as provided below.

(iii) Third, the Claim shall be submitted to and finally resolved by binding arbitration before a single arbitrator in the county where Franchisor's then-current headquarters is located, and in accordance with the arbitration rules of the American Arbitration Association or its

successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction. Any dispute arising out of or in connection with this arbitration provision, including any question regarding its existence, validity, scope, or termination shall be referred to and finally resolved by arbitration.

(2) **Confidentiality.** The parties to any meeting/mediation/arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

(3) **Fees and Costs.** ~~The parties will bear their own fees and costs, including attorneys' fees; provided that for matters not settled through agreement of the parties, the arbitrator may assess all, or any portion, of the fees and costs~~In the event of any arbitration or litigation (also including appeals, petitions for confirmation, modification, or vacation of an award) arising out of or relating to a Claim, this Agreement, the breach of this Agreement, or the relationship of the parties to this Agreement, the prevailing party will be reimbursed by the other party for all costs and expenses incurred in connection with any such arbitration against the party who does not prevail or litigation, including, without limitation, reasonable attorneys' fees.

(4) **Disputes Not Subject to the Mediation/Arbitration Process.** Claims or disputes relating primarily to (a) the validity of the Marks and/or any intellectual property licensed to Developer, and (b) injunctive relief for health and safety issues and violations, may be subjected to court proceedings, at Franchisor's sole election; provided that only the portion of any claim or dispute relating primarily to the validity of the Marks and/or any intellectual property licensed to Developer and requesting equitable relief shall be subject to court action, and any portion of such claim seeking monetary damages will be subject to the Claim Process outlined above.

(5) **Intentions of Developer and Franchisor.** Developer and Franchisor mutually agree (and have expressly had a meeting of the minds) that, notwithstanding any contrary provisions of state, federal or other law, and/or any statements in Franchisor's Franchise Disclosure Document required by a state or the Federal government as a condition to registration or for some other purpose:

(i) all issues relating to arbitration and/or the enforcement of arbitration-related provisions of this Agreement will be decided by the arbitrator (including all Claims that any terms were procured by fraud or similar means) and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration and exclusive of state statutes and/or common law;

(ii) all provisions of this Agreement shall be fully enforced, including (but not limited to) those relating to arbitration, waiver of jury trial, limitation of damages, venue, choice of laws, and shortened periods in which to bring Claims;

(iii) Developer and Franchisor intend to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to its terms;

(iv) Developer and Franchisor each knowingly waive all rights to a court trial (except as expressly provided in this Agreement), understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, but still strongly preferring mediation and/or arbitration as provided in this Agreement; and

(v) the terms of this Agreement (including but not limited to this Section XIX) shall control with respect to any matters of choice of law. Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document it furnished to Developer.

**(b) VENUE**

Without in any way limiting or otherwise affecting the obligations of Developer and Franchisor under Section XIX (a) above, Developer and Franchisor agree that any litigation will be brought in a court of competent jurisdiction in the county where Franchisor's then-current headquarters is located.

**(c) TERMS APPLICABLE TO ALL PROCEEDINGS, WAIVER OF TRIAL BY JURY, CERTAIN CLAIMS, AND CLASS ACTION RIGHTS**

With respect to any arbitration, litigation or other proceeding of any kind, Developer and Franchisor:

(1) **knowingly waive all rights to trial by jury;** and

(2) **will pursue any proceeding on an individual basis only, and not on a class-wide or multiple plaintiff basis.**

**(d) LIMITATIONS ON CLAIMS**

Neither party may make claims for emotional distress, whether negligent or intentional, nor punitive damages.

**(e) PERIODS IN WHICH TO MAKE CLAIMS**

No arbitration, action or suit (whether by way of claim, counter-claim, cross-complaint, raised as an affirmative defense, offset or otherwise) by either Developer or Franchisor will be permitted against the other, whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other Claim of any type, unless such party commences such arbitration proceeding, action or suit before the expiration of the earlier of:

(1) One (1) year after the date on which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(2) Eighteen (18) months after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

The above periods may begin to run, and will not be tolled, even though the claiming party was not aware of the legal theories, statutes, regulations, case law or otherwise on which a claim might be based. If any federal, state or provincial law provides for a shorter limitation period than is described in this Section, then such shorter period will govern. The time period for actions for indemnity shall not begin to run until the indemnified party(ies) have been found liable and any time for appeals has run in the underlying action.

**(f) SEVERABILITY OF PROVISIONS**

Each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision related to dispute resolution).

**(g) CHOICE OF LAWS**

Developer and Franchisor agree on the practical business importance of certainty as to the law applicable to their relationship and its possible effect on the development and competitive position of the System. Therefore, Developer and Franchisor also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the United States Trademark Act and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning Developer and Franchisor, will be governed by, and construed and enforced in accordance with, the laws of California; except that the provisions of any law of that state regarding franchises (including, without limitation, registration, disclosure, and/or relationship laws) shall **not** apply unless that state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section XIX.(g). Developer and Franchisor agree that this provision shall be enforced without regard to the laws of California relating to conflicts of laws or choice of law.

**XX. "DEVELOPER" DEFINED AND GUARANTY**

If two or more persons are at any time parties to this Agreement, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Developer (or a transferee of this Agreement or an ownership interest in Developer), including, without limitation, any person who has a direct or indirect interest in Developer (or a transferee) or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a "controlling ownership interest" in Developer or one of Developer's owners (if an entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in Developer or one of Developer's owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

**XXI. ELECTRONIC MAIL**

(a) Developer acknowledges and agrees that exchanging information with Franchisor by e-mail is efficient and desirable for day-to-day communications and that Franchisor and Developer may utilize e-mail for such communications. Developer authorizes the transmission of e-mail by Franchisor

and Franchisor's employees, vendors, and affiliates ("Official Senders") to Developer during the term of this Agreement. Developer further agrees that: (a) Official Senders are authorized to send e-mails to those of Developer's employees as Developer may occasionally authorize for the purpose of communicating with Franchisor; (b) Developer will cause Developer's officers, directors and employees to give their consent to Official Senders' transmission of e-mails to them; (c) Developer will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with Developer; and (d) Developer will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement.

(b) This consent given in this Section shall not apply to the provision of notice by either party under this Agreement pursuant to Section XI unless Franchisor and Developer otherwise agree in a written document manually signed by both parties.

## **XXII. ACKNOWLEDGMENTS**

Developer acknowledges:

~~(a) That Developer has independently investigated this franchise opportunity and recognizes that, like any other business, the nature of the business a Kajiken Restaurant conducts may, and probably will, evolve and change over time.~~

~~(b) That an investment in a Kajiken Restaurant involves business risks that could result in the loss of a significant portion or all of Developer's investment.~~

~~(c) That Developer's business abilities and efforts are vital to Developer's success and the success of Developer's business.~~

(a) The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution hereof by the Franchisor and the Developer. The date of execution by the Franchisor shall be considered to be the date of execution of this Agreement.

~~(b) That Developer has not received from Franchisor, and is not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Kajiken Restaurant, that any information Developer has acquired from other Developers/Franchisees regarding their sales, profits, or cash flows was not information obtained from Franchisor, and that Franchisor makes no representation about that information's accuracy. This Agreement shall not be binding on the Franchisor unless and until it shall have been accepted and signed by an authorized officer of the Franchisor.~~

~~(c) That in all of their dealings with Developer, Franchisor's officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between Developer and them as a result of this Agreement are deemed to be only between Developer and Franchisor.~~

~~(d) That Developer has represented to Franchisor, to induce Franchisor's entry into this Agreement, that all statements Developer has made, and all materials Developer has given Franchisor, are accurate and complete and that Developer has made no misrepresentations or material omissions in obtaining the franchise.~~

~~(g)(e)~~ That Developer has read acknowledges that the execution of this Agreement and Franchisor's franchise disclosure document and understands and accepts that this Agreement's terms and covenants are reasonably necessary for Franchisor to maintain Franchisor's high standards of quality and service, as well as the uniformity of those standards at each Kajiken Restaurant, and to protect and preserve the goodwill of the Marks. is the wholly voluntary act of the persons who signed this Agreement.

~~(h)~~ That Franchisor has not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and Franchisor's franchise disclosure document, and that Developer has independently evaluated this opportunity, including by using Developer's business professionals and advisors, and has relied solely upon those evaluations in deciding to enter into this Agreement.

~~(i)~~ That Developer has been afforded an opportunity to ask any questions Developer has and to review any materials of interest to Developer concerning this franchise opportunity.

~~(j)~~ That Developer has been afforded an opportunity, and has been encouraged by Franchisor, to have this Agreement and all other agreements and materials Franchisor has given or made available to Developer reviewed by an attorney and has either done so or elected not to do so.

~~(k)(f)~~ Developer acknowledges and agrees that Franchisor may elect to keep only electronic copies of any and all documents and records pertaining to the Franchised Business, the System, and the franchise relationship between the parties. Each such electronic record will accurately reflect the information in the document and will remain accessible to all persons entitled by law to access the information for the period of time required by law. ~~That Developer has a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, and Developer will have sufficient funds to meet all of Developer's obligations under this Agreement~~ The electronic record will be in a form capable of being accurately reproduced for later reference if necessary.

### **XXIII. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES**

(a) The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgment signed or agreed to by 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 Franchisor, any franchise seller, or any other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties ~~hereto~~ have duly executed, ~~sealed and delivered~~ this Agreement ~~in duplicate on the day and year first above written~~ on the dates set forth below to be effective upon execution by Franchisor.

**KAJIKEN INTERNATIONAL, INC.**  
a California corporation

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

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

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

**DATED** Effective Date: \_\_\_\_\_

**DEVELOPER**

**(IF DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):**

\_\_\_\_\_  
[Name]

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

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

**DATED** Date: \_\_\_\_\_

**(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

**DATED** Date: \_\_\_\_\_

**EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT**

**DESCRIPTION OF DESIGNATED TERRITORY**

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**KAJIKEN INTERNATIONAL, INC.**  
a California corporation

**DEVELOPER**

**(IF DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):**

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

\_\_\_\_\_  
[Entity Name]

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

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

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

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

**DATED** Effective Date: \_\_\_\_\_

**DATED** Date: \_\_\_\_\_

**(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**EXHIBIT B TO AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT SCHEDULE**

At the dates set forth below, Developer is obligated by Section IV of the Area Development Agreement to have open and in operation the number of Kajiken Restaurants as indicated below:

| <u>Development Period</u> | <u>Date Development Period Commences</u> | <u>Date Development Period Ends</u> | <u>Cumulative Number of Restaurants to be Open and in Operation</u> |
|---------------------------|--|-------------------------------------|---|
| First                     | _____, 20__                              | _____, 20__                         | _____   |
| Second                    | _____, 20__                              | _____, 20__                         | _____   |

Third \_\_\_\_\_, 20\_\_\_\_\_, \_\_\_\_\_, 20\_\_\_\_\_  
Fourth \_\_\_\_\_, 20\_\_\_\_\_, \_\_\_\_\_, 20\_\_\_\_\_

**FRANCHISOR**

**KAJIKEN INTERNATIONAL, INC.**  
a California corporation

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

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

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

**DATED** Effective Date: \_\_\_\_\_

**DEVELOPER**

(IF DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

\_\_\_\_\_  
[Entity Name]

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

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

**DATED** Date: \_\_\_\_\_

(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**FRANCHISOR**

**KAJIKEN INTERNATIONAL, INC.**  
a California corporation

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

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

**DEVELOPER**

(IF DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

\_\_\_\_\_  
{Name}

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

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

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

**DATED:** \_\_\_\_\_

**DATED:** \_\_\_\_\_

~~(IF DEVELOPER IS AN INDIVIDUAL AND NOT A  
LEGAL ENTITY):~~

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

**DATED:** \_\_\_\_\_

## EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

### GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT

For value received, and in consideration for, and as an inducement to Kajiken International, Inc. ("Franchisor") to execute the Kajiken Area Development Agreement (the "Area Development Agreement"), of even date herewith, by and between Franchisor and \_\_\_\_\_ or his assignee, if a partnership, corporation or limited liability company is later formed ("Developer"), \_\_\_\_\_ ("Guarantor(s)"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns the full and timely performance by Developer of each obligation undertaken by Developer under the terms of the Area Development Agreement, including all of Developer's monetary obligations arising under or by virtue of the Area Development Agreement.

Upon demand by Franchisor, Guarantor(s) will immediately make each payment required of Developer under the Area Development Agreement. Guarantor(s) hereby waives any right to require Franchisor to: (a) proceed against Developer for any payment required under the Area Development Agreement; (b) proceed against or exhaust any security from Developer; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer. Without affecting the obligations of Guarantor(s) under this Guarantee, Indemnification and Acknowledgment, Franchisor may, without notice to Guarantor(s), extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust or compromise any claims against Developer.

**Guarantor(s) waives notice of amendment of the Area Development Agreement and notice of demand for payment by Developer and agrees to be bound by any and all such amendments and changes to the Area Development Agreement.**

Guarantor(s) hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorney's fees, reasonable costs of investigations, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Area Development Agreement, any amendment, or any other agreement executed by Developer referred to therein.

Guarantor(s) hereby acknowledges and agrees to be individually bound by all covenants contained in the Area Development Agreement and all terms and conditions of the Area Development Agreement requiring Developer not to disclose confidential information.

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

The validity of this Guarantee and the obligations of Guarantor(s) hereunder shall in no way be terminated, restricted, diminished, affected or impaired by reason of any action that Franchisor might take or be forced to take against Developer, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Area Development Agreement or otherwise.

The use of the singular herein shall include the plural. Each term used in this Guarantee, unless otherwise defined herein, shall have the same meaning as when used in the Area Development Agreement.

This Guarantee is to be performed in San ~~Diego~~Mateo, California, and shall be governed by and construed in accordance with the laws of the State of California. Guarantor(s) specifically agrees that the state and federal courts situated in San ~~Diego~~Mateo, California, shall have exclusive jurisdiction over Guarantor(s) and this Guarantee, and further agrees that any action relating to this Guarantee may be brought solely in either the San ~~Diego, California~~Mateo County Superior ~~court~~Court or the United States District Court for the ~~Southern~~Northern District of California. In connection therewith, each of the undersigned hereby appoints the Secretary of State for the State of California as his agent for service of process to receive summons issued by the court in connection with any such litigation. Notwithstanding the foregoing, Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Area Development Agreement (except as otherwise provided in Article 16 of the Area Development Agreement).

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

**GUARANTOR**

**GUARANTOR**

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

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

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

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

SS #: \_\_\_\_\_

SS #: \_\_\_\_\_

DOB: \_\_\_\_\_

DOB: \_\_\_\_\_

Driver's License No. \_\_\_\_\_

Driver's License No: \_\_\_\_\_

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Name of Guarantor's Spouse

\_\_\_\_\_  
Name of Guarantor's Spouse

\_\_\_\_\_  
Signature of Guarantor's Spouse

\_\_\_\_\_  
Signature of Guarantor's Spouse

**EXHIBIT K  
TO FRANCHISE DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

### State Effective Dates

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

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

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   |                       |
| Hawaii       |                       |
| Illinois     |                       |
| Indiana      |                       |
| Maryland     |                       |
| Michigan     |                       |
| Minnesota    |                       |
| New York     |                       |
| North Dakota |                       |
| Rhode Island |                       |
| South Dakota |                       |
| Virginia     |                       |
| Washington   |                       |
| Wisconsin    |                       |

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

**EXHIBIT L  
TO FRANCHISE DISCLOSURE DOCUMENT  
RECEIPT**

**ITEM 23 RECEIPT**

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

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

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

Michigan, Oregon and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement, or other agreement, or the payment of any consideration, whichever comes first.

If Kajiken International, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency identified on Exhibit A.

The franchisor is Kajiken International, Inc. located at ~~3760 Convoy Street, Suite 219~~112 B St., San ~~Diego~~Mateo, CA ~~92111~~94401. The names, principal business addresses and telephone numbers of each Franchise Seller offering the Franchise are: Albert Smith, ~~at 3760 Convoy Street, Suite 219, San Diego, CA 92111/ Ph: (415) 800-2883;~~and Timothy Lu, at ~~112 S. B St., San Mateo, CA 94401/ Ph: (415) 308-1883;~~and~~650) 458-3061;~~ Kenichi Kaji and Jun Kondo, at 1-17-8 Fukue, Showa-ku, Nagoya, Japan / Ph: +81 52-385-7039; and

Issuance Date: July ~~418, 2023~~2024. Kajiken International, Inc. authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a Disclosure Document dated July ~~418, 2023~~2024. This Disclosure Document included the following Exhibits:

- EXHIBIT A LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- EXHIBIT B FRANCHISE AGREEMENT
- EXHIBIT C FINANCIAL STATEMENTS
- EXHIBIT D STATE-SPECIFIC ADDENDA
- EXHIBIT E STATEMENT OF PROSPECTIVE FRANCHISEE
- EXHIBIT F TABLE OF CONTENTS OF THE OPERATIONS MANUAL
- EXHIBIT G FORM OF GENERAL RELEASE
- EXHIBIT H LIST OF FRANCHISEES AND THEIR OUTLETS
- EXHIBIT I LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT
- EXHIBIT J AREA DEVELOPMENT AGREEMENT
- EXHIBIT J STATE EFFECTIVE DATES
- EXHIBIT K RECEIPTS

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Date

*Keep this copy for your records.*

## ITEM 23 RECEIPT

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

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

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

Michigan, Oregon and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement, or other agreement, or the payment of any consideration, whichever comes first.

If Kajiken International, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency identified on Exhibit A.

The franchisor is Kajiken International, Inc. located at ~~3760 Convoy Street, Suite 219~~112 B St., San ~~Diego~~Mateo, CA ~~92111~~94401. The names, principal business addresses and telephone numbers of each Franchise Seller offering the Franchise are: Albert Smith, ~~at 3760 Convoy Street, Suite 219, San Diego, CA 92111/ Ph: (415) 800-2883;~~and Timothy Lu, at ~~112 S. B St., San Mateo, CA 94401/ Ph: (415) 308-1883;~~and ~~650) 458-3061;~~and Kenichi Kaji and Jun Kondo, at 1-17-8 Fukue, Showa-ku, Nagoya, Japan / Ph: +81 52-385-7039; and

Issuance Date: July ~~418, 2023~~2024. Kajiken International, Inc. authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a Disclosure Document dated July ~~418, 2023~~2024. This Disclosure Document included the following Exhibits:

|           |   |
|-----------|---|
| EXHIBIT A | LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS              |
| EXHIBIT B | FRANCHISE AGREEMENT   |
| EXHIBIT C | FINANCIAL STATEMENTS  |
| EXHIBIT D | STATE-SPECIFIC ADDENDA  |
| EXHIBIT E | STATEMENT OF PROSPECTIVE FRANCHISEE   |
| EXHIBIT F | TABLE OF CONTENTS OF THE OPERATIONS MANUAL                                  |
| EXHIBIT G | FORM OF GENERAL RELEASE   |
| EXHIBIT H | LIST OF FRANCHISEES AND THEIR OUTLETS                                       |
| EXHIBIT I | LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT |
| EXHIBIT J | AREA DEVELOPMENT AGREEMENT  |
| EXHIBIT J | STATE EFFECTIVE DATES   |
| EXHIBIT K | RECEIPTS  |

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Date

*Please sign this copy of the receipt, date your signature, and return it to: Timothy Lu, at Kajiken International, Inc., ~~3760 Convoy Street, Suite 219~~112 B St., San ~~Diego~~Mateo, CA ~~92111~~94401.*