

FRANCHISE DISCLOSURE DOCUMENT



Rakkan USA Franchise, LLC
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The franchise offered in this Franchise Disclosure Document is for the operation of a restaurant featuring ramen (Japanese style noodle) dishes with various types of broth, Japanese appetizers, specified condiments and ingredients, and other authorized foods, beverages, and retail items, with focus placed on dine-in, take-out, and delivery services.

The total investment necessary to begin operation of a RAKKAN Ramen (hereinafter, the “RAKKAN Ramen Business”) is between \$379,500 to \$865,000. This includes between \$32,000 and \$34,000 that must be paid to us or our Affiliate.

The total investment necessary to begin operation of a RAKKAN Ramen Business area development franchise is between \$399,500 and \$885,000, which includes between \$52,000 and \$54,000, which must be paid to us or our Affiliates. There is no minimum number of outlets to be opened in an area development.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified this 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 Ryohei Ito at 1025 W. 190th Street, Suite 218, Gardena, California 90248, franchise@rakkanramen.com and 424-329-0513.

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 contracts carefully. Show your contracts and this Franchise Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer's Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can

also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

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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:

<u>QUESTION</u>	<u>WHERE TO FIND INFORMATION</u>
How much can I earn?	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 Exhibit D.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only RAKKAN Ramen business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be RAKKAN Ramen franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences
What else should I know?	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 F.

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 Resolution.** The franchise agreement requires you to resolve disputes with us by mediation, arbitration and litigation only in California. Out-of-state mediation, arbitration and litigation may force you to accept a less favorable settlement for disputes it may also cost you more to arbitrate and litigate with us in California than in your own state.

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 Franchise Disclosure Document, “RAKKAN Ramen,” “we,” “us,” and “our” means Rakkan USA Franchise, LLC, doing business as RAKKAN Ramen, the franchisor. “You,” “your,” and “Franchisee” means the person who buys the franchise from RAKKAN Ramen and its owners, if the Franchisee is a business entity.

Franchisor, Parent, and Affiliate

We are the franchisor for the RAKKAN system. Our principal business address is 1025 W. 190th Street, Suite 218, Gardena, California 90248. We are a California limited liability company organized in California on January 22, 2019.

Our affiliated entity RAKKAN USA INC. (“RAKKAN USA”), a California corporation, whose principal business address is 359 East First Street, Los Angeles CA, operates two restaurants (opened in July 2017 and July 2018) that are equivalent to the ramen restaurant business that you would operate.

Our affiliated entity RAKKAN USA LONG BEACH, LLC (“RAKKAN LONG BEACH”), a California limited liability company, whose principal business address is 5242 East 2nd Street, Long Beach CA, operates one restaurant (opened in November 2020) that is equivalent to the ramen restaurant business that you would operate.

We have no parents.

We are not controlled by, controlling, or under common control with any other entity that provides goods or services to our franchisees or that offers franchises in any line of business.

We have no predecessor.

We conduct business under the name “RAKKAN Ramen”. We do not intend to use any other name to conduct business.

Both we and our affiliates, RAKKAN USA and RAKKAN LONG BEACH, have not previously offered franchises either in the type of business you will operate or in any other line of business.

On June 6, 2011, Mr. Ryohei Ito opened the first RAKKAN Ramen restaurant in Nishi-Azabu, Tokyo, Japan. Currently, with the assistance of his Japanese team, he owns and operates three (3) RAKKAN Ramen outlets which are all located in Tokyo.

Mr. Ito opened the first overseas outlet “RAKKAN DTLA” at 359 E. First Street, Los Angeles, California 90012 in July 2017, “RAKKAN Redondo Beach” at 629 S. Pacific Coast Hwy., Redondo Beach, California 90277 in July 2018, and then “RAKKAN Long Beach” at 5242 E. 2nd Street, Long Beach, California 90803 in November 2020.

Agents for Service of Process

Our agent for service of process in California is Mr. Ryohei Ito, whose address is 1025 W. 190th Street, Suite 218, Gardena, California 90248. The list of state agents for service of process is located in Exhibit F.

RAKKAN Ramen Franchises

The RAKKAN franchise is a license to independently own and operate a single retail food outlet (“Outlet”) serving ramen (Japanese style noodle) dishes made with various types of broth, appetizers prepared with proprietary recipes and condiments and ingredients (collectively, “RAKKAN Products”) as a standard size full service restaurant. Outlets also serve other beverages, food and related merchandise that we authorize, using designated concepts, designs, recipes, equipment, products and techniques. All Outlets must display brochures describing the availability of the RAKKAN Ramen franchise opportunity.

If you want to and are financially and operationally qualified in our judgment to do so, you may enter into an Area Development Agreement (“ADA”) with us, under which you will be granted the opportunity to develop additional Outlets under a mutually agreed timetable and within a negotiated development area. The form of ADA is attached as Exhibit B of this disclosure document. Upon establishing each additional outlet under the Development Schedule an Area Developer may be required to sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

Market Competition

The general market you will operate the business in involves Japanese and other noodle restaurants. The market for RAKKAN Products is all individuals within a reasonable proximity to the Outlet. This type of business is fully developed and does not involve sales primarily to a certain group and is not seasonal. As a RAKKAN Ramen franchisee, you will compete with various established local restaurants and regional or national chain outlets specializing in Japanese ramen noodles, as well as other restaurants offering Japanese foods.

Industry Regulations

You must comply with all local, state, and federal laws that apply to your franchise operations, including health, food handling, sanitation, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, bathrooms, and drinking facilities. You must obtain any applicable real estate permits (*e.g.*, zoning), real estate licenses, and operational licenses. You must comply with any federal, state, county, municipal, or other local laws and regulations that may apply to your franchise.

You must acquire a liquor license to the extent permitted by applicable law. If the offering of liquor at your restaurant is not permitted in your jurisdiction, then you must acquire a license

to sell sake, wine and beer unless prohibited by zoning requirements or other applicable laws or we approve otherwise at our discretion.

Among the other licenses and permits you may need are: Zoning or Land Use Approvals, Sunday Sale Permits, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Food Establishment Permits, Food Service License, Health Permits, Alarm Permits, County Occupational Permits, Retail Sales Licenses, and Wastewater Discharge Permits. There may be other laws, rules or regulations that affect your franchise, including minimum wage and labor laws along with ADA, OSHA and EPA considerations (or similar laws in Canada and relevant provinces). We recommend that you consult with your attorney for an understanding of these laws. Consider retaining the services of a qualified labor relations/human resources consultant of your choice. Consider retaining third-party providers of your own choosing for payroll and accounting services.

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

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

This disclosure document contains a summary of some material provisions of the franchise agreement. However, the Franchise Agreement expresses and governs the actual legal relationship between you and us.

The Franchise Agreement does not make you our agent, legal representative, joint venturer, partner, employee, or servant for any purpose. You will be an independent contractor and will not be authorized to make any contract, agreement, warranty or representation or to create any obligation, express or implied, for us.

ITEM 2 **BUSINESS EXPERIENCE**

Ryohei Ito: Founder, Chief Executive Officer

Mr. Ito is the founder and has been the Chief Executive Officer of RAKKAN USA Franchise, LLC since our inception in January 2019. In June 2011, he started the RAKKAN Ramen business in Japan. In January 2015, he founded RAKKAN Inc., a restaurant management company in Japan. He has served as the Chief Executive Officer of RAKKAN Inc. since its inception. He is the founder and has been the Chief Executive Officer of RAKKAN USA Inc. since its inception in March 2017, which owns and operates two RAKKAN Ramen restaurants in Los Angeles,

California and in Redondo Beach, California. He is also the founder and has been the Chief Executive Officer of RAKKAN USA Long Beach, LLC since its inception in August 2020, which owns and operates a RAKKAN Ramen restaurant in Long Beach, California.

Manabu Kamatani: Chief Operating Officer

Mr. Kamatani was named the Chief Operating Officer of RAKKAN USA Inc. in July 2017, managing the first RAKKAN restaurant “RAKKAN DTLA” in downtown Los Angeles, California. Since July 2018, Mr. Kamatani has been in charge of the management of RAKKAN Redondo Beach. Mr. Kamatani has also managed RAKKAN Long Beach since November 2020.

ITEM 3
LITIGATION

Rakkan USA Franchise, LLC v. Kazuhiro Tamaki and KYCE Food LLC, Judicial Arbitration and Mediation Services, Inc. (“JAMS”), Case No. 5220010683. On September 20, 2025, we filed an Arbitration Demand against former franchisees based in the State of Georgia. The matter is presently pending, with a Final Hearing to be scheduled in the near-future. No claims have been filed against us, and we expect to prevail on the affirmative claims against us.

Rakkan USA Franchise, LLC v. KN Partners, LLC, EMBIT Restaurants LLC, Wesley Kim, and Duy Q. Nguyen, Judicial Arbitration and Mediation Services, Inc. (“JAMS”), Case No. 5220011596. On November 21, 2025, we filed an Arbitration Demand against former franchisees based in the States of Nevada and California. The matter is presently pending. No claims have been filed against us, and we expect to prevail on the affirmative claims against us.

Other than the foregoing, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

The Initial Franchise Fee for the first and each subsequent Outlet you open is \$20,000 and is due and payable in full to us when you sign the Franchise Agreement.

Initial Training Fee

The Initial Training Fee for the first Outlet is \$10,000 and is due and payable in full to us when you sign the Franchise Agreement. The Initial Training Fee is only required for the first Outlet and is not required for the second and each subsequent Outlet.

Area Development Fee

If you sign an ADA, you will pay us at that time a “Development Fee” equal to \$20,000 multiplied by the number of additional Outlets you commit to open under the ADA. Then, when you open an additional Outlet under the ADA, the \$20,000 will be applied as a credit towards the \$20,000 Initial Franchise Fee required by the Franchise Agreement for the additional Outlet.

The Initial Franchise Fee, the Initial Training Fee, and Area Development Fee (if applicable) are fully earned by us when paid and non-refundable.

Opening Inventory

Prior to the opening of your Outlet, we will provide certain kitchenware, the cost of which ranges from \$2,000 to \$4,000. Payments made to us for these items are non-refundable, however we will replace them upon your request in the event any defects are discovered in these items.

ITEM 6 **OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty ¹	5% of “Gross Revenues”	10th day of each month ²	Royalty is paid monthly on the 10th day of each month, commencing with the first calendar month in which Gross Revenues were received. “Gross Revenues” include all revenue from the sale of all products and services and all other income of every kind and nature related to your franchise operation, whether for cash, by redemption of gift certificates or for credit, regardless of collection. Gross Revenues do not include gratuities, sales tax or any other taxes that you collect from customers for payment to an appropriate tax authority.
Local Marketing Expenditure	1% to 3% of Gross Revenues (Recommended)	N/A	This amount is not paid to us. We recommend that you spend an amount between 1% and 3% of your Gross Revenues on local promotion and marketing. We reserve the right to adjust the minimum recommended amount of the Local Marketing Expenditure at any time during the term of the Franchise Agreement.
Brand Fund ¹	1% of Gross Revenues	10th day of each month ²	You are required to pay a monthly “Brand Fund” on the 10th day of each month. This fee will be calculated on the Gross Revenues received during the previous month.

Type of Fee	Amount	Due Date	Remarks
Additional Marketing and Promotion Fees ¹	Determined by affirmative vote of all affected RAKKAN franchisees	Immediately upon demand for payment	On a regional or system-wide basis, we may impose an additional assessment upon some or all franchisees for one-time advertising or promotional activities if 2/3 of all affected RAKKAN franchisees agree to such additional assessment by affirmative vote.
Advertising Cooperative Fee ¹	Up to 1% of Gross Revenues	Immediately upon demand for payment	You may be required to make a contribution to a regional advertising fund in the amount established by the franchisees' votes in the advertising region (the "Regional Advertising Fund"). However, no advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of 1% of that franchisee's Gross Revenue.
Initial Training Fee for Additional Attendees ¹	\$1,500/attendee	At completion of training ²	Initial Training Fee covers up to three (3) participants. For each additional attendee to the Initial Training may be required to pay us up to \$1,500. You must pay the costs of travel, lodging and meals for all trainees.
Initial Training Fee (General Manager – retaking or replacement) ¹	\$1,000 (5 days), \$2,000 (10 days) or \$3,000 (15 days) /attendee	At time of training ²	If your General Manager fails to complete the Initial Training, the same General Manager may retake the Initial Training, either a 5-day training course for \$1,000 or a 10-day training course for \$2,000. If you send a replacement General Manager, the General Manager is required to take a 15-day training course for \$3,000.
Additional Training Fee (at our designated location) ¹	\$1,000 (5 days) or \$2,000 (10 days) /attendee	At time of training ²	We may charge you a separate fee of \$1,000 per person for a 5-day or \$2,000 per person for a 10-day course for additional training at our designated location.
Additional Training Fee (at your Outlet) ¹	\$200/day and reimbursement for our expenses (minimum of 2 days)	At time of training ²	Upon your request, we may send our employee to your Outlet to provide additional training, in which case you will be required to pay us \$200 per day (minimum of 2 days) and reimburse us for expenses incurred by us in connection with provision of such training including but not limited to transportation cost and lodging.
Transfer Fee ¹	\$10,000 ³	Not later than 10 days before the transfer ²	The transfer fee covers our costs in reviewing the qualifications of the assignee. There is no transfer fee if the franchise is transferred to a corporation owned solely by you. No transfer fee is due if the franchise is transferred to your personal representative, conservator or heir upon your death or legal disability (if you are an individual) or dissolution (if you are an entity).
Renewal Fee ¹	\$5,000 ³	When you sign the renewal Franchise Agreement ²	You are qualified for renewal if all fees due us are paid and you are not in breach of any term of your Franchise Agreement.

Type of Fee	Amount	Due Date	Remarks
Late Payment Penalty ¹	5% of the amount past due	Immediately upon our demand ²	The late payment penalty is in addition to interest on the unpaid amount.
Records and Rights of Inspection (Audit) ¹	Cost of audit plus interest on underpayment	Immediately upon demand for payment ²	Due only if the audit discloses an understatement of 5% or more in gross sales for any month or it takes our auditors an unreasonable amount of time (more than 8 hours) to assemble your records for audit.

1. All fees are imposed and collected by and are payable only to us. Except as indicated in Item 5 or otherwise in the table above, all fees are non-refundable. All fees are uniformly imposed.

2. If any payment is not paid when due, you must pay interest on the unpaid amount at an annual percentage rate (“APR”) of 18% (or the highest APR allowed by the law of the state where the Outlet is located, if that APR is lower), and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts. Interest begins from the date payment was due.

3. This fee may be adjusted by changes since the effective date of the Franchise Agreement in the annual average of the Consumer Price Index for All Urban Consumers (“CPI”), published by the Bureau of Labor Statistics of the United States Department of Labor, or the highest similar future index if these figures become unavailable.

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ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee ¹	\$20,000	Lump sum; non-refundable	When you sign the Franchise Agreement	Us
Initial Training Fee ¹	\$10,000	Lump sum; non-refundable	When you sign the Franchise Agreement (First Outlet Only)	Us
Training expenses ² (Travel, Meals, Lodging and Salaries)	\$10,000 to \$20,000	As incurred	During training	Travel and lodging vendors and employees
Grand Opening advertising and promotion ³	\$3,000 to \$8,000	Lump sum; non-refundable	During the first 60 days before you open	Advertisers and other suppliers
Real property lease or rental agreement, including security deposit ⁴	\$6,000 to \$15,000	As incurred	Before opening	Landlord and suppliers
Real property lease construction, remodeling, leasehold improvements and decorating costs – net of landlord contribution ⁵	\$200,000 to \$550,000	As incurred	Before opening	Contractor, landlord and suppliers
Equipment, fixtures and other fixed assets ⁶	\$60,000 to \$110,000	As arranged	Before opening	Suppliers
Point of Sale system (including cash register, computer system, setup fee) and telecommunications ⁶	\$7,500 to \$11,000	As arranged	Before opening	Suppliers
Signage ⁷	\$5,000 to \$20,000	As arranged	Before opening	Suppliers
Inventory and supplies to begin operating ⁸	\$16,000 to \$20,000	As arranged	Before opening	Suppliers
Water filter to supply soft water ⁹	\$4,000	As arranged	Before opening	Suppliers
Professional fees – legal and accounting ¹⁰	\$2,500 to \$5,000	As incurred	Before opening	Attorneys and accountants

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Insurance premiums ¹¹	\$2,000 to \$3,000	As incurred	As arranged	Insurance company
Utility deposits, business licenses, fictitious business name filing and other prepaid expenses ¹²	\$2,500 to \$5,000	As incurred	Before and during opening	Utilities and government agencies
Initial floor plan fee and travel expenses (Franchisee's architect) ¹³	\$16,000 to \$27,000	As incurred	Before opening	Your architect
Initial floor plan fee (Franchisor's architect) ¹³	\$4,000 to \$8,000	As incurred	Before opening	Our architect
Cost of Kitchenware ¹⁴	\$2,000 to \$4,000	As arranged	Before opening	Us
Additional funds – 3 months ¹⁵	\$9,000 to \$25,000	As incurred	After opening	Employees and other vendors
TOTAL ¹⁶	\$379,500 ~ \$865,000			

AREA DEVELOPMENT AGREEMENT

YOUR ESTIMATED INITIAL INVESTMENT

The following chart sets forth the estimated fees you must pay if you enter into an ADA. For each Outlet you develop under the ADA, you will also incur the expenses in the applicable table above.

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Development Fee ¹	\$20,000 Multiplied by number of units	Lump sum; non-refundable	When & if you sign the ADA	Us
Initial investment for individual Outlet	\$379,500 to \$865,000	See above	See above	See above
TOTAL ¹⁶	\$399,500 ~ \$885,000			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your RAKKAN Ramen Business for three (3) months. We do not offer direct or indirect financing for these items. The availability and terms of financing from third-parties depend

on many factors, including the availability of financing generally, your creditworthiness and collateral, and the lending policies of financial institutions from which you may request a loan.

(1) This fee must be paid in full at the time indicated. To be eligible to sign the Franchise Agreement and Area Development Agreement, you must provide us with reasonable proof of your financial ability to make the initial investment described above and you must authorize us to conduct a credit check to confirm your financial ability to purchase and develop the Outlet.

(2) Training typically is accomplished in 15 days at RAKKAN Redondo Beach, and these expenses represent your travel, meal, and lodging expenses and salaries that you need to pay to your employees. These costs may vary depending on the costs of airfare and lodging.

(3) You must spend at least \$3,000 within 60 days before the opening date to build local customer awareness of your Outlet. Recommendations on how to promote the grand opening of your Outlet will be provided by us, including promotional ideas, sample advertising copy and flier design.

(4) You will need to rent a suitable retail site for your Outlet and the rent or lease deposit amount will vary depending on the location. A security deposit and first month's rent are standard requirements to execute a commercial lease, and the estimate above includes 1 month of rent and the deposit.

(5) You will need to conduct the necessary build-out of your leased space according to our requirements. The amounts listed in this type of expenditure are estimates that are based on basic build out of our Outlet design but do not include many variables related to the pre-existing condition of any one location. Drawings may be required to obtain permits, business licenses and certificate of occupancy, and these drawings must be created by a licensed architect. Drawings and layout must comply with our specifications and standards. Proposed layouts and drawings require our approval before you obtain permits or begin any construction. The cost of your build-out may be reduced by a Tenant Improvement ("TI") allowance or rebate from the landlord, which varies depending on the terms of each lease agreement. However, you will be required in most cases to complete the build-out, satisfy all related invoices to contractors and service providers and obtain a Certificate of Occupancy to qualify for the TI rebate from the landlord. Architectural renderings and building permits may be required for the build-out of your Outlet, the cost for which has been included in these estimates. Real estate and TIs (if any) related to "conversions" would be substantially lower.

(6) Equipment and operational materials you will need to purchase include storage and display racks, and exterior awning. You will also need to purchase electronic point-of-sale system capable of supporting the proprietary RAKKAN Point of Sale program software ("POS Program") and related equipment, cash register, and telephone equipment. A detailed list of all required equipment is included in our confidential Operations Manual (the "Manual"), a copy of which is provided to you after you sign the Franchise Agreement. These estimates also include the initial monthly cost (between \$500 to \$1,000) for the POS Program (additional details on this operational software are contained in the Manual).

(7) The estimate is based on 1 to 2 exterior signs and 1 internal sign. All signs containing the RAKKAN proprietary marks must be created to our specifications and must be designed and fabricated by vendors we designate or approve. The quantity, size, type and cost of signs will vary substantially per lease space and in accordance with stipulations of each landlord and local governmental regulations. These estimates also include the average filing fees for obtaining the necessary sign permits, as well as the costs to construct and install the signs.

(8) This refers to the initial inventory of authorized RAKKAN Products to be sold in the Outlet and other items of merchandise and supplies you must stock to be able to open for business.

(9) You will be required to purchase a water filter to supply soft water from the vendor we designate. The details on the water filter are contained in the Manual.

(10) This includes professional legal and accounting fees to review the franchise agreement and lease agreement and help in setting up the business entity you use to own and operate the Outlet.

(11) As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Outlet, and it is imperative you carry adequate insurance to protect yourself. The currently required *minimum* coverage and limits of insurance are (i) General Liability at minimum limits of \$1,000,000 per occurrence / \$3,000,000 annual aggregate including Products / Completed Operations and Professional Liability, (ii) Auto Liability at minimum limits of \$1,000,000 combined single limit covering all owned, hired and non-owned vehicles, and (iii) Workers' Compensation to meet the statutory coverage of the state where your Outlet is located. To the extent permissible under law, these insurance requirements may be satisfied with a combination of primary, umbrella and/or excess policies. All insurance policies will name you as named insured and, except for Workers' Compensation, will name us and any of our subsidiaries and affiliates of these companies now existing or which may hereafter exist as additional insureds, including their employees, officers and directors on additional insured endorsement forms. All required insurance shall be purchased by insurance companies of good reputation with a rating of at least "A VII" as determined by A. M. Best Company. The costs of premiums will vary based on location of the Outlet and any prior claim history.

(12) You must obtain a business license from your city or county and you must file a certificate with the appropriate government agency in your county or state indicating you will be doing business under our trademarks. You may also be required to obtain health permits and other state, county and city permits, pay utility deposits and other deposits with vendors, and cover other prepaid expenses before you can begin operating your Outlet. This includes the cost for local business licenses and certificate of occupancy. Other local fees and charges assessed by local government agencies may apply.

(13) Prior to performing construction work at your Outlet, you are required to submit design plans for our approval. You must employ architects designated or approved by us to prepare plans and specifications for your Outlet. You are required to retain our architect for preparation of a schematic plan and review of final plans and specifications.

(14) This refers to the costs of certain kitchenware received from us.

(15) Although we do not require minimum funds for you to start your business, there are some expenses you will incur when you begin your franchise operations, such as inventory, supplies and employees. It is always a good idea to have some cash reserves available to cover initial operating expenses. This estimates the additional funds you will need for your first 3 months of operation. These expenses include payroll costs. These figures are estimates, and we cannot guarantee that you will not have additional expenses during your first 3 months of operation. We relied on our executive officers, who have years of experience in this industry, in determining these figures. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

(16) This estimates your initial startup expenses. These figures are estimates, and we do not guarantee that you will not have additional expenses starting the business. If you do not open for business, you may receive a refund from suppliers for unused inventory, unspent advertising and canceled insurance. Otherwise the payments listed in the table above are nonrefundable. We do not finance any part of the initial investment. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

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

You must operate your RAKKAN Ramen Business according to our System and specifications. Except as described below, however, we do not require you to purchase or lease goods, services, supplies, fixtures, equipment, inventory, or real estate for your RAKKAN Ramen Business from us or any affiliate, or an Approved Supplier.

Approved Products and Services

You may only market, offer, sell, and provide the approved services, as well as any related merchandise and other products that we authorize for sale in conjunction with the Approved Products and Services. We will provide you with a list of our then-current Approved Products and Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

Except as provided in this paragraph, neither we nor any of our officers own an interest in any of our Approved Suppliers. However, we reserve the right to require you to purchase additional items from us or our affiliates in the future.

We may develop proprietary products for use in your Franchised Business, including private-label products that bear our Marks, and require you to purchase these items from us or our affiliate(s).

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as outlined more fully in this Item. We may provide our standards and specifications for our Approved Products and Services directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as outlined more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your “Required Purchases.” We estimate that your Required Purchases, purchases from Approved Suppliers and purchases that must meet our specifications in total will be about 10% to 20% of your total purchases to establish the Business and about 20% to 30% of your purchases to continue the operation of the Business. Please be advised that these percentages do not include the lease payments that you make in connection with your premises.

We may collect rebates from one or more approved or designated suppliers of RAKKAN original food items. We anticipate that these rebates will be based on franchisee purchases and will range from 9% to 11% of the purchase price. We may retain such rebates and use them for any purpose. We anticipate that some of the rebates received from the suppliers will be used to advertise the RAKKAN system.

In our fiscal year ending December 31, 2025, we collected \$73,241.85 in rebates from United Foods International and \$25,401.75 in rebates from Tasty Foods for seasonings purchased by our franchisees and company-owned outlets, \$10,580.46 in rebates from Maruha Nichiro Meat & Products USA for cooked meat products purchased by our franchisees and company-owned outlets, and \$39,097.78 in rebates from Nippon Trends Food Service for noodles purchased by our franchisees and company-owned outlets. Otherwise, in our fiscal year ending

December 31, 2025, neither we nor any of our affiliates derived revenue, rebates or other material consideration based on required purchases or leases by our franchisees.

Non-Approved Product/Service and Alternate Supplier Approval

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Franchised Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product evaluation fee when submitting your request, as well as cover our costs incurred in evaluating your request. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products and/or services, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 30 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (although are not required to) make it available to you upon request. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Business in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii)

refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and/or our franchisees.

We reserve the right to create additional purchasing cooperatives in the future. We may negotiate volume purchase agreements with some vendors or Approved Suppliers for the purchase of goods and equipment needed to operate the Business.

Franchise Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

Specifications and Standards

Equipment and Supplies

You must purchase or lease certain equipment and supplies meeting our specifications. Also, you must purchase or lease initial equipment and supplies in amounts that we recommend, to use our experience in the business and to provide proper initial planning, training, operation and record keeping. The initial equipment and supplies that must meet our specifications are identified in our manuals. Any signs, logos, emblems, or pictorial materials using our trademarks must meet our specifications.

Site Selection Criteria

You must find a site for your business that meets our site selection criteria as stated in Item 11 within 120 days after signing your Franchise Agreement. We will not unreasonably withhold approval of any site that meets our standards. Our approval of a site is not a representation or warranty that your business will be profitable or that your revenues will attain any predetermined levels. Approval is intended only to indicate that the proposed site meets our minimum criteria for identifying sites. You agree that our approval or disapproval of a proposed site does not impose any liability on us.

Lease of the Site and Signs

We must approve of any lease or sublease for the site for your business, and your lease or sublease must include the Rider attached to the Franchise Agreement included herewith. At least one (1)

exterior sign of stated design and size, if permitted by local sign ordinances, must be used for the premises.

Design Specifications

We may provide you with specifications for design, decoration, layout, equipment, furniture, fixtures and signs for your RAKKAN Ramen Business, but all items may be purchased from any source unless otherwise noted in this Item 8.

Maintenance and Repairs

You must uniformly maintain your RAKKAN Ramen Business to the degree of sanitation, repair, appearance, condition and security as stated in our manuals, as they may be updated from time-to-time. You must make additions, alterations, repairs and replacements to your RAKKAN Ramen Business as reasonably required for that purpose, including periodic repainting changes in appearance, upgrades and repairs to equipment, and replacement of obsolete signs as we reasonably direct. We cannot estimate these costs for you since the square footage and actual uses of each facility will vary. Maintenance is generally less expensive than replacement. You must meet and maintain the safety standards and ratings applicable to the operation of your RAKKAN Ramen Business as we reasonably require.

Renovation and Upgrading

You must abide by our requirements on alterations, remodeling, upgrading or other improvements to your RAKKAN Ramen Business. The requirements will not exceed those applicable to new franchised, affiliate-owned units, and company-owned units; and will not generally occur more frequently than every four (4) years. You will be responsible for the cost of changes or additions.

Modifications of Specifications

Our standards and specifications are found in our manuals. We may modify our specifications on reasonable written notice to you. We will consider your written request for a modification of a specification, if you explain the reason for the requested modification and provide us with sufficient technical data to enable us to evaluate your request. We will provide you with notification of approval or disapproval within 30 days after receipt of your request. We will approve a request if we determine that a modified specification is appropriate or that any equipment or supply meets our specifications then in effect. We may perform tests to determine any requested modification meets our specifications. We may charge you a fee to cover our reasonable costs and expenses in evaluating any request, or conducting tests in order to grant our approval.

Insurance

You must obtain and maintain insurance, at your expense, as we require, in addition to any other insurance required by applicable law, your landlord, or otherwise. We may periodically change the amounts of coverage required under the insurance policies and require different or additional

kinds of insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, if the changes apply to all RAKKAN Ramen Business. Each insurance policy must name us and entities and persons affiliated with us as additional insureds. On our request, you must provide us with copies of all insurance policies together with proof of payment for insurance. You must send to us current certificates of insurance and copies of all insurance policies on an annual basis. Before you open your RAKKAN Ramen Business, you must furnish us with a certificate of insurance showing compliance with the insurance requirements. Currently, you must have the following insurance at a minimum:

- Comprehensive general liability insurance with limits of at least \$1,000,000 per person per occurrence (and \$3,000,000 aggregate for bodily injury) and at least \$50,000 for property damage per occurrence;
- Personal injury and advertising injury insurance with limits of at least \$1,000,000 per occurrence;
- Employer Practices Liability insurance with limits of at least \$1,000,000;
- An Umbrella Liability insurance policy with a limit of at least \$1,000,000;
- “All risk” insurance on the premises, equipment and supplies, for loss or damage by fire, windstorm, flood, casualty, theft and other risk usually insured against by the owners or lessors of similar property, for at least 100% of the replacement cost of the property. Unless you obtain a written waiver from us, any RAKKAN Ramen Business sustaining loss or damage must be repaired, restored, or rebuilt within 60 days after the date of the loss or damage;

Automobile liability insurance on each vehicle used in the business within the minimum coverage limits as required by the law of the state or jurisdiction in which you are engaged in business, but not less than \$1,000,000 combined single limit covering all owned, hired, and non-owned vehicles

- Business Interruption Insurance in an amount necessary to satisfy your obligations under the Franchise Agreement and lease for the Franchised Business location, for a minimum of 12 months.

Worker’s compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of your RAKKAN Ramen Business, if required by your state or jurisdiction.

All required insurance shall be purchased by insurance companies of good reputation with a rating of at least “A VII” as determined by A. M. Best Company. The costs of premiums will vary based on location of the Outlet and any prior claim history

Computer System

You must purchase the computer system that we specify, including computer hardware, software, point of sale system, inventory control systems, and high-speed network connections (collectively, the “Computer System”). The component parts of the Computer System must be purchased from Approved Suppliers. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must sign any software license agreements that we or the licensor of the software require and any related software maintenance agreements. Our current POS System, including associated hardware and software, at an initial cost of approximately \$7,500 to \$11,000, plus a monthly fee for POS support and maintenance. The Computer System is described in more detail in Item 11 of this Disclosure Document.

ITEM 9 **FRANCHISEE’S OBLIGATIONS**

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

Obligation	Section in Franchise Agreement and Area Development Agreement	Item in Franchise Disclosure Document
a. Site selection and acquisition/lease	Sections 4.2, 7.2, Section 3 of the Area Development Agreement (“ADA”)	Items 5, 7 & 11
b. Pre-opening purchases/leases	Sections 4.2 and 7.2	Items 7
c. Site development and other pre-opening requirements	Section 7.2	Items 7 & 11
d. Initial and ongoing training	Section 5.2	Items 11
e. Opening	Sections 7.2, 7.3 and 7.6.1	Items 6 & 7
f. Fees	Section 6	Items 5, 6 & 7
g. Compliance with standards and policies/ Operations Manual	Sections 5.4, 5.6, 7.1 and 7.3	Items 11
h. Trademarks and proprietary information	Section 8.1	Items 13 & 14
i. Restrictions on products/services offered	Sections 5.6 and 7.3.3	Items 8 & 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development & sales quotas	Not Applicable	Not Applicable

l. Ongoing products/service purchases	Sections 7.3.3 and 7.5.4.2	Items 8 & 16
m. Maintenance, appearance, and remodeling requirements	Section 7.3.6	Items 11
n. Insurance	Section 7.7	Items 7
o. Advertising	Sections 5.5, 7.1.3 and 7.6	Items 6 & 11
p. Indemnification	Section 8.5	Items 6, 13 & 14
q. Owner's participation/management/staffing	Sections 7.4 and 7.5	Items 11 & 15
r. Records and reports	Section 7.6	Items 6
s. Inspections and audits	Section 6.5	Items 6 & 11
t. Transfer	Sections 6.8 and 9	Items 17
u. Renewal	Section 4.6.2	Items 17
v. Post-termination obligations	Section 10.3	Items 17
w. Non-competition covenants	Sections 8.6 and 10.3	Items 17
x. Dispute resolution	Section 11	Items 17

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or any of your obligations.

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

Except as listed below, Rakkan USA Franchise, LLC is not required to provide you with any assistance.

Pre-Opening Obligations

Before you open your RAKKAN Ramen Business, we (or our designee) will provide the following assistance and services to you:

- (1) Designate your Territory (See Sections 4.3 and 7.2 of the Franchise Agreement);
- (2) Loan you one (1) copy of the Confidential Operations Manual. The Confidential Operations Manual contains approximately 100 pages. The table of contents for the Confidential Operations Manual is attached to this Franchise Disclosure Documents as Exhibit E (See Section 5.4 of the Franchise Agreement);

- (3) Provide site selection guidelines and criteria and provide site selection assistance to determine an acceptable location for your RAKKAN Ramen Business. While we approve the site pursuant to our guidelines, You are solely responsible for selecting your site (See Section 7.2 of the Franchise Agreement);
- (4) Within 90 days of your signing the approved lease or location purchase, we will provide you with access to prototype design plans, specifications, décor and layout for a Business, including requirements for design, color, scheme, image, interior layout and operation assets that include fixtures equipment interior signs and furnishings. We may also designate additional suppliers of goods and services (See Section 7.3 of the Franchise Agreement);
- (5) Assist you in implementing an opening marketing initiative for your RAKKAN Ramen Business (See Section 5 of the Franchise Agreement);
- (6) We, or our designee, will provide instruction and assistance prior to the opening of your RAKKAN Ramen Business and immediately following the opening by telephone or in-person, as we determine in our sole discretion (See Sections 5.2 and 5.5 of the Franchise Agreement); and
- (7) Provide an initial training program (“Initial Training Program”) as described below.

Post-Opening Obligations

During the operation of your business, we may:

- (1) Provide periodic telephone and electronic mail assistance on daily operations, marketing, advertising, personnel and other operating issues that you encounter, and provide review and analyses of your operations (See Section 5.3 of the Franchise Agreement);
- (2) Update the manuals to incorporate improvements and new developments in the System. These revisions may be made at any time (See Section 5.4 of the Franchise Agreement);
- (3) Make available to you initial training of replacement managers at a location that we determine. We may charge you a fee for this training. (See Section 5.2.1 of the Franchise Agreement);
- (4) Advise as to source of supply for equipment, services, supplies, products and materials, and make reasonable efforts to negotiate, enter into and maintain contracts for equipment, supplies and services for your purchase (See Sections 5.6 and 7.3.3 of the Franchise Agreement) We will provide guidance regarding maximum and minimum pricing, subject to applicable law; however, you may ultimately determine your pricing;

- (5) Assist you with sales promotions and administer a system-wide Brand Fund (See Section 7.5.3 of the Franchise Agreement) (See Brand Fund below);
- (6) At our option, provide access to our manuals, franchisee resources and company news (See Sections 5.2.3 and 5.4 of the Franchise Agreement);
- (7) At our option, maintain a website and provide you with a standard web page on the website (See Section 7.5.4 of the Franchise Agreement); and
- (8) Provide you access to print and television advertisements, if and when they exist, for use by you (See Section 5.5 of the Franchise Agreement).

Advertising and Promotion

Brand Fund

You are currently required to contribute 1% of Gross Revenues each week and all payments are due monthly, by the 10th of each month, via ACH, as further detailed in Item 6 to our system-wide advertising and promotions fund (“Brand Fund”). We have the right to increase the Brand Fund contribution to up to 3% of Gross Revenues. All franchises will contribute on an equal basis to the Brand Fund. The Brand Fund will be intended to promote the services of the System. We may administer the Brand Fund and all programs that the Brand Fund finances. We will use the Brand Fund for public relationships and the development and placement of print, electronic media and web-based advertising. We may use most of the Brand Fund for in-house advertising or using a regional advertising agency. We will not use the Brand Fund to solicit prospective franchisees, but we may use the Brand Fund to develop a website and social media platforms. We may use an outside advertising agency to create and place advertising, and handle public relations. The Brand Fund will advertise locally, regionally and nationally, as we decide in our sole discretion, to promote the System.

We will account for the Brand Fund separately from our other funds each year. The Brand Fund will not be audited, but we will prepare an annual unaudited financial statement of the Brand Fund that will be available on your request about 120 days after the end of the fiscal year. Other than reimbursement for reasonable costs and overhead incurred in activities for the administration or direction of the Brand Fund, which may include prorated salary and benefits of any personnel who manage and administer the Brand Fund, meeting costs and similar expenses, neither we nor any affiliate will receive any payment for providing services or products to the Brand Fund. We may, but are not required to, collect for deposit into the Brand Fund any advertising, marketing or similar allowances paid to us for that purpose by suppliers who deal with your RAKKAN Ramen Business.

In the fiscal year ending on December 31, 2025, our Brand Fund collected \$107,919.30. Of that, all but \$22,843.63 was spend, with this balance being carried over to fiscal year ending on December 31, 2026. The money spent by the Brand Fund was spent as follows: \$32,488.10 was spent on the production of advertisements and other promotional materials; \$29,480.36 was spent

on media placement; \$18,107.21 was spent on administrative expenses; and \$5,000.00 was spent on miscellaneous expenses associated with the Brand Fund.

Franchisee Advisory Council

We do not currently have a Franchisee Advisory Council.

Local Advertising

You are required to spend at least 1% of Gross Revenue per month on local advertising each month, as outlined in Item 6 of this Franchise Disclosure Document. We recommend that you spend between 1% and 3% of your Gross Revenue per month on local advertising.

You must submit to us, for our approval, all media and materials to be used for local advertising, unless the media and/or materials have been approved before or unless we provided the materials to you. All materials containing our proprietary marks must include the designation service mark SM, trademark TM, registered trademark [®], copyright [©], or any other designation we specify. If you do not receive written or oral approval of any materials submitted within 30 days from the date we receive the materials, the materials are disapproved. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. We must make this requirement in writing, and you have 5 days after receipt of our notice to withdraw and/or discontinue use of the materials or advertising. Your submission of advertising for our approval does not affect your right to determine the prices at which you sell your services.

You may have as many telephone numbers and telephone directory listing for the franchised business as you choose; however, you acknowledge and agree that we will own all rights and interest in each telephone number (regardless of whether such telephone number pre-existed any Franchise Agreement) and telephone directory listing, email address, domain name, social media platform, and comparable electronic identify that is associated in any manner with your Franchise and/or with any Mark (“Listing”). You acknowledge and agree that all goodwill arising from or in connection with the use of each Listing will inure to our benefit. Promptly after expiration, termination, repurchase or transfer of the Franchise, you will notify each telephone or Internet Service Provider (“ISP”) with whom you have any Listing and direct them to transfer the Listing to us, or any persons we designate, at your expense; and you agree to execute all documents necessary to complete these transfers.

You must include in any significant display advertisements, and in marketing materials for your RAKKAN Ramen Business, a notice that your RAKKAN Ramen Business is individually owned and operated. Subject to any legal restrictions, you also are required to display or make available in your RAKKAN Ramen Business’s reception area, marketing materials that we may provide to you about the purchase of RAKKAN Ramen franchises, but you have no responsibility or authority to act for us in franchise sales.

You may not solicit business outside your Territory through the use of a toll-free number, direct mail, website, social media platform, or other advertising method without our prior written approval. You may not establish your own website or social media platforms without approval.

We do not require you to participate in a local or regional advertising program.

System Website

At our option, we may establish one or more websites to advertise, market and promote the System and the franchise opportunity. We currently maintain the website www.rakkanramen.com; however, we are not obligated to continue to maintain that website, and are not barred from (or required to) creating additional or replacement websites. In any website now in existence or hereinafter-created, we may provide you with a listing for your location, or a web page to promote your business, if you provide us with the information that we request to develop your web page. Our system standard will apply to any website advertising. We may provide a secure intranet for our franchisees, but do not currently have one.

Computer System and Internet Access

You must purchase and use the complete computer software services and electronic cash register/point-of-sale system (i.e., the “POS System”) we require, which we have the right to change at any time. Currently, our designated POS System is the Toast point-of-sale (POS) system; however, this POS System is subject to change at any time. The approximate annual cost to you for the POS System and other required equipment is \$7,500 to \$11,000, plus a monthly fee of \$500 to \$1,000 for POS updating, support, and maintenance. These costs are subject to change by the vendor. Any maintenance, repair, or updates related to the computer system are your responsibility. (See Section 7.3.8 of the Franchise Agreement).

Independent Access to Information. We have a right and you are required to provide us with independent access to the information that will be generated or stored in your computer systems, which includes, but is not limited to, customer, transaction, and operational information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business.

You must have broadband Internet access, which will permit you to use web-based technology, gather information, exchange ideas and transfer data. You may use any independent Internet Service Provider of your choosing that provides broad-band access. You must maintain a functioning email address so that we can communicate with you electronically.

We may upgrade our minimum computer system requirements at any time in order to keep pace with technology. There are no contractual limitations on the frequency or cost of this obligation, but we expect you will need to upgrade at least every five (5) years. If we modify or impose a requirement, we will notify you in our manuals or other written communications, and will give you a reasonable time in which to comply at your expense. We estimate that the cost of upgrading and replacing a computer system is approximately \$500 to \$1,000 annually.

We may assist you in obtaining the computer system and related services, but we are not obligated to do so. We may, in the future, designate an approved supplier for computer components.

We disclaim all implied warranties to the extent permitted by law. Neither we nor any affiliate is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system. You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and determine the additional cost for the services.

Artificial Intelligence

You will not, without our written consent, utilize any generative artificial intelligence software, tools, or technologies, including natural language processing, deep learning algorithms, or machine learning models (“Generative AI”) directly or indirectly in the operation of the Franchised Business, including without limitation, in advertising, promotion, or marketing of the Franchised Business, communications with customers, business planning, analysis or optimization, or in any social media. You acknowledge and agree not to upload or share any Confidential Information (including any inputs of information containing trade secrets, sensitive confidential information, or personal information) with any unapproved third-party platforms, including Generative AI, except as authorized in writing by us. In addition, you shall prohibit your employees from using any Confidential Information in Generative AI. In the event you utilize any Generative AI, with or without prior approval from us, you shall comply with all laws applicable to such use, including without limitation, all trademark, copyright, and biometric laws, and shall not infringe upon or use intellectual property of a third party without appropriate authorization and attribution.

Manuals

After you sign your Franchise Agreement, and prior to initial training, we will give you electronic access to or lend you a paper or read-only disk copy of a single copy of our manuals. The manuals contain proprietary information, and you must keep this information confidential as described in Item 14. A copy of the Table of Contents for the Operations Manual, as of December 1, 2025, is attached hereto as Exhibit E, which reflect that the manual contains approximately 100 pages.

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Initial Training Program

You will receive the following training before you open your RAKKAN Ramen Business:

INITIAL TRAINING PROGRAM
3 Week Training at HQ's Site under Corporate's Supervision

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
DAY 1 RAKKAN Overview Personal Introduction Intro to Daily Operation	2	4	Redondo Beach, California
DAY 2 Intro to Daily Operation Onsite training basics Kitchen Management Basics Health & Safety Review of Roles for Kitchen & Hall Managers	2	4	Redondo Beach, California
DAY 3 Daily Operation; Opening & Closing Onsite training basics Kitchen Management Basics Health & Safety	0	6	Redondo Beach, California
DAY 4 Daily Operation General Kitchen Management Basics Health & Safety	0	6	Redondo Beach, California
DAY 5 Daily Operation General Kitchen Management Basics Health & Safety	0	6	Redondo Beach, California
DAY 6-10 Inventory management Purchasing Preps Daily Operation; Order Handling Banking Claim Handling Reporting	5	30	Redondo Beach, California
DAY 11~15 Daily Operation: Repeat Profit & Loss Management Reporting Filing / Accounting / Reports Final Review	5	25	Redondo Beach, California

The training program above is effective as of the date of this disclosure document. The initial training is typically provided 45 days before your Outlet opens and is typically scheduled not more frequently than every month. All classroom and on-the-job training is provided in Redondo Beach, California or in another location at a training center we designate.

The instructional material consists of appropriate handouts and information directly from the Manual. Currently, our principal instructor is Jane Alimurung, who has been with us and our affiliates for 18 months, and who has over seventeen years of experience in the subject matters she teaches. Our operations staff and other employees who have at least one year of experience in the subject matters may sometimes assist the principal instructor.

You will be required to pay us the Initial Training Fee of \$10,000. You may send up to three participants to the initial training. The three participants should include your designated General Manager and Principal Equity Owners. If you seek to send more than four participants to the initial training, then you may have to pay us \$1,500 for each additional participant you send. You must pay all travel and living expenses of persons you send to the initial training.

If you are an individual, you and your original manager, if any, must attend and complete our initial training program to our satisfaction. If you are a legal entity, your Operating Principal and your original manager, if any, must attend and successfully complete initial training. We recommend that you plan to attend training before you sign a lease for your business.

We do not currently conduct, but may in the future, regional and/or national conferences. If and when we do, you (or your Operating Principal) must attend a regional or national conference, which shall not occur more than one time per year. At our option, we may charge you a conference fee or a proportionate share of our out-of-pocket costs for each annual conference.

You (or your Operating Principal) and any previously-trained manager must attend any refresher or follow-up training that we designate. We will not charge you a fee for this training, however, you may incur out-of-pocket costs in attending same.

Training for replacement managers or employees is required and provided on the same terms as the initial training provided to you, except that there may be a fee. Training for replacement managers will occur at a time we schedule on a space-available basis, and may not be available immediately after the replacement manager (or employee) is hired. You will be responsible for all expenses incurred by you and your employees in connection with attending all training programs, including the cost of transportation, lodging, meals and wages.

Training for transferees of your franchised business is required and provided on the same terms as the initial training provided to you, except that there may be a fee. Training for transferees will occur at a time we schedule on a space-available basis, but must be completed before the transfer takes place.

You must pay our travel, lodging, and meal expenses during training. You must also pay travel, lodging, and meal expenses for trainees and any compensation or benefits due trainees during initial training, or during any regional or national conferences, or any additional or refresher training.

Site Selection - RAKKAN Ramen Business

If you have not selected a site when you sign your Franchise Agreement, we will approve a Territory within which you can locate a site for your business. We will assist you in evaluating proposed sites based on information that you provide to us and on other information that we deem relevant. The factors that we consider relevant are square footage, a storefront location, and traffic patterns. We may, but we are not required to, visit proposed sites with you. We will approve or disapprove a proposed site within 15 days after you propose it in writing with appropriate documentation as stated in our manuals. If we disapprove a site, you must locate another site. If you do not, we may terminate the Franchise Agreement.

We must approve your site before you open your RAKKAN Ramen Business franchise. You must open for business within 365 days after signing your Franchise Agreement, subject to our opening schedule availability. If you are delayed from opening within the 365 days, you must provide us with a written request to delay opening. Your request must state: (1) that a delay is anticipated; (2) the reasons that caused the delay; (3) the efforts that you are making to proceed with the opening; and (4) an anticipated opening date. In considering the request, we will not unreasonably withhold our consent to delay, up to a maximum of 14 days, if you have been diligently pursuing the opening. If, for any reason (including your failure to locate a site acceptable to us), you do not open your business within one year (or any longer period to which we have consented), we may terminate your franchise without refunding any of the initial franchise fee.

Opening Business

For a RAKKAN Ramen Business, you are required to obtain a site (via a signed letter of intent or lease agreement) within one hundred and twenty (120) days of the Effective Date. The maximum time to open, after the Effective Date, is 365 days. The typical length of time between the signing of a Franchise Agreement and the opening of a business is 245 to 365 days. Factors that may affect this time include your ability to obtain business licenses and permits, receive delivery of supplies, when you complete training, select a site, negotiate a lease and complete any construction or renovation of your facility.

Other Assistance

We do not provide assistance with providing equipment, signs, fixtures, opening inventory, and supplies. We do not provide assistance with conforming the premises to local ordinances and building codes and obtaining any required permits, and/or constructing, remodeling, or decorating the premises, and/or hiring and training employees. We generally do not own the premises that you lease. We are not required to, but may in our sole discretion, spend money on advertising in your Territory.

ITEM 12 **TERRITORY**

You will receive a territory within a defined area surrounding your Outlet as we determine from the U.S. Census report or other reliable demographers (“Territory”). The minimum territory

granted to you is a population of 50,000 in the Territory. You are required to locate a site for your Outlet that is acceptable to us. The definition of the Territory will be made with your consent and specified in your Franchise Agreement. By “Territory” we mean that so long as you continue to fulfill your material obligations under your Franchise Agreement (as we reasonably determine), we will not grant a RAKKAN franchise to any other person, nor will we or any of our affiliated entities operate an Outlet, within your Territory. However, you may face competition for customers from other franchisees and outlets that we or our affiliated entities own and operate near your Territory, from other channels of distribution or from other competitive brands that we control.

If you want to and are financially and operationally qualified in our judgment to do so, you may enter into an Area Development Agreement (“ADA”) with us, under which you will be granted the opportunity to develop additional Outlets under a mutually agreed timetable (“Development Schedule”) and within a negotiated development area (“Development Area”). So long as Area Developer’s obligations under the Development Schedule are being met on a timely basis and until the ADA terminates, neither we nor our affiliates will operate an Outlet within the Development Area. However, Area Developer’s rights do not extend to a “Non-Traditional Venue” which is defined as a business operated under the “RAKKAN” marks that is located within another primary business or in conjunction with other businesses or at institutional settings. If we become insolvent or declare bankruptcy or are no longer authorized to offer and sell franchises in Area Developer’s state because of a lapse of applicable franchise registration or other reason, Area Developer will continue to have the right to operate under the ADA unless a state or federal court issues an order otherwise. For each additional Outlet opened under the ADA, Area Developer must hire a General Manager with a background in the restaurant business that is satisfactory to us or take the Initial Training required under the Franchise Agreement. The form of ADA is attached as Exhibit C of this disclosure document.

You may relocate your Outlet with our written consent, which will not be unreasonably withheld. Not less than 90 days before the desired date of relocation (unless prior notice is impractical because of a required relocation in which event your notice must be given as soon as possible), you must make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location. Within 20 business days after we receive your request, we will either approve or disapprove in writing such closure or relocation in our sole discretion. If we disapprove of a proposed relocation, you may request an alternative proposed new location.

We reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems. We reserve all rights to market and sell RAKKAN products under our principal trademarks or different trademarks at venues other than Outlets and through other channels of distribution (including the Internet), within your Territory and anywhere else. We are not required to pay you compensation for soliciting or accepting orders in your Territory at venues other than Outlets or through other channels of distribution.

You may only offer and sell RAKKAN products to customers at your Outlet, and you are restricted from advertising RAKKAN products outside your Territory without our prior written consent. You

may not engage in any mail order solicitations, catalog sales, telemarketing or television solicitation programs, or use any other advertising media outside of your territory without our prior written approval. Also, you may not offer or sell RAKKAN products directly or indirectly through the Internet, except as authorized by us in the Manual or otherwise in writing. We will publish all website content and we will list your Outlet location on our master web site. We will maintain the “Uniform Resource Locator” (or “URL”) for the RAKKAN website and you may never own any Internet domain name that contains any of the Marks. Under no circumstances are you authorized to establish your own personal websites (except social media sites) for the purpose of advertising your Outlet or our principal trademarks.

Although we have no current plans to do so, we reserve the right to offer and sell other types of franchises that are not directly competitive with the RAKKAN franchise.

The continuation of your franchise rights to the Territory does not depend on your attaining a minimum level of sales, revenues or market penetration or another contingency.

You receive a protected Territory in that your territorial rights restrict us from establishing, operating, or granting any person other than you the right to establish or operate, a RAKKAN Ramen Business at any physical location in your Territory. However, we may: (a) at locations outside your Territory, including locations near the boundaries of your Territory, establish and operate, and grant others the right to establish and operate, a RAKKAN Ramen Business; (b) at locations outside your Territory, establish and operate, and grant others the right to operate, businesses similar to the RAKKAN Ramen Business; (c) at any location, license the use of alternative proprietary marks or methods in connection with the operation of businesses that may be similar to or different from the RAKKAN Ramen Business; (d) use other channels of distribution, including the Internet; (e) operate a RAKKAN Ramen concept at any non-traditional location, such as an airport, college campus, sporting event, concert, stadium, hospital, military base, government office, convention center, highway rest stop, turnpike plaza, or similar location, within Your Approved Territory; and (f) accept and/or solicit orders inside your territory. We are not required to pay you if we exercise any of these reserved rights. We do not operate or franchise, and do not have any plans to operate or franchise, any other businesses that sell similar goods or services to those of the franchisee, under alternative trademarks.

ITEM 13 **TRADEMARKS**

You are licensed to operate and identify the Outlet under the principal trademark “RAKKAN” displayed in stylized lettering on the cover of this disclosure document and other current or future trademarks. On June 5, 2018, we registered the principal trademark “RAKKAN” (standard characters) with the United States Patent and Trademark Office (“USPTO”), on the Principal Register, Registration number 5484631. On November 5, 2019, we registered the principal trademark “RAKKAN” (plus design) with the USPTO on the Principal Register, Registration number 5900839.

There are presently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending interference, opposition or

cancellation proceedings involving our trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of trademarks listed in this Item in a manner material to the franchise. There is no pending material federal or state court litigation regarding our use or ownership rights in the trademarks. All required affidavits have been filed.

No agreements limit our rights to use or license the use of the trademarks.

You must follow our rules when you use the Marks. You cannot use our principal trademark 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 trademarks in connection with the sale of any unauthorized product or service, or in any manner that we have not authorized in writing.

We have the right to control any administrative proceedings or litigation involving a trademark licensed to you by us. You must notify us promptly when you learn about an alleged infringement, unfair competition, unauthorized third-party use of or challenge to your use of the trademarks. We then will promptly take the action we think appropriate. We will indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition or similar claims about the trademarks (see section 9.5(b) of the Franchise Agreement). But we have no obligation to defend or indemnify you if the claim against you relates to your use of the trademarks in violation of the Franchise Agreement.

If you learn that any third-party whom you believe is not authorized to use our trademarks is using them or any variant of them, you must promptly notify us. We will determine whether or not to take any action against the third party.

You must modify or discontinue the use of a trademark if the trademark owners or we modify or discontinue it. You must not directly or indirectly contest our or the trademark owners' rights to the trademarks, trade secrets or business techniques that are part of our business.

There are no infringing uses or superior previous rights known to us that can materially affect your use of the Marks in this state or any other state in which the franchised business is to be located.

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

Patents

No patents are material to the franchise.

Copyrights

We have not registered any copyrights with the United States Copyright Office (Library of Congress), but various marketing, sales, training, management and other materials that we have created are and will be protected under the U.S. Copyright Act, whether or not we have obtained registrations. You may use these copyrighted materials during the term of the franchise, in a

manner consistent with our ownership rights, solely for the purpose of promoting your franchised business.

There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials that are relevant to their use by our franchisees.

There are no agreements currently in effect that significantly limit our right to use or license the use of our copyrighted materials in any manner material to the franchise. All of the provisions in Item 13 under the heading “Protection of Rights” also apply to copyrights; provided, however, that you must modify or discontinue use of any subject matter covered by a copyright if directed by us.

We do not know of any superior rights in or any infringing uses of our copyrighted materials that could materially affect your use of the copyrighted materials.

Proprietary Information

We have proprietary, copyrighted manuals that include guidelines, standards and policies for the operation of your business, and other proprietary, copyrighted materials. Item 11 and Exhibit E to this Franchise Disclosure Document describe the manuals and the manner in which you may use them. All proprietary manuals and materials provided to you are for your exclusive use during the term of the franchise, and may not be reproduced, copied, loaned to, used by or shown to any person outside the System without our permission.

Each Operating Principal, manager, supervisory employee, independent contractor, or other person attending initial training must sign an agreement in which he or she agrees to the confidentiality of the System, agrees not to use any information about the system for his or her own benefit, and agrees not to compete in certain respects with your business and other franchisees’ businesses. Each of these persons must sign the confidentiality agreement (see Exhibit E to the Franchise Agreement), before you grant him or her access to our manuals or any other confidential information.

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

We strongly believe that the success of your franchised business will depend to a large extent on your personal and continued efforts, supervision and attention. If you are an individual, you or a trained manager must personally manage the franchised business at all times. You and your manager, if any, must attend and successfully complete initial training.

If you are a legal entity, you must designate a managing shareholder, partner, or member (“Operating Principal”). If you are a legal entity, your Operating Principal or a trained manager must personally manage the franchised business at all times. Your Operating Principal and your manager, if any, must attend and successfully complete initial training.

In any event, You or your Operating Principal must be on-site at the Franchised Business for a minimum of forty hours per week for the first year of operation of the Franchised Business.

Any replacement manager must attend and successfully complete initial training. Neither an original manager nor a replacement manager needs to have an equity interest in the franchised business. Each Operating Principal, manager, supervisory employee, independent contractor, or other person attending initial training must sign an agreement in which he or she agrees to the confidentiality of System, agrees not to use any information about the system for his or her own benefit, and agrees not to compete in certain respects with your business and other franchisees' businesses. Each of these persons must sign the confidentiality agreement (see Exhibit E to the Franchise Agreement), before you grant him or her access to our manuals or any other confidential information.

If you are a legal entity, each shareholder, principal officer, partner, or member, and their spouse, must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for breach of, the Franchise Agreement (see Exhibit C to the Franchise Agreement).

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

You must offer for sale and sell only services and products that we have approved or authorized. You may not offer for sale or sell services or products that would detract from or be inconsistent with the System. You may use services or products not purchased from us, but those services or products must be of comparable quality and must be approved by us in writing before use to ensure maintenance of proper quality standards. You may not use or permit the use of your premises for any other purpose or activity at any time without first obtaining our written consent.

You must offer for sale all approved services and products; must not deviate from our specifications for the approved services and products without our written consent; and must discontinue offering any items that we disapprove in writing.

We may change the types of services and products that we approve or authorize, if the services and products are compatible with the System. There are no other limits on our right to make these changes.

You are not restricted in the customers to whom you may sell approved services or products or the prices the services are rendered or products are sold. However, all sales must occur at or from your Business. You may not solicit business outside your site through the use of a toll-free number, direct mail, Internet website or other advertising method without our prior written approval.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.6.1	Ten (10) years from the Effective Date of the Franchise Agreement.
b. Renewal or extension of the term	Section 4.6.2	If you are in good standing, and have met the conditions set forth in row (c), below, you have the right to renew the Franchise Agreement for one (1) consecutive ten (10) year term (or the length of your then-current lease term, whichever is shorter), with payment of any franchise renewal fee that is in effect at the time of renewal. The current renewal fee is \$5,000.
c. Requirements for you to renew or extend	Section 4.6.2	Good standing; timely advance notice; pay any then-current renewal fee; sign new Franchise Agreement that may contain materially different terms and conditions than the Franchise Agreement in this Disclosure Document; be current in payments; sign release; and modernize Business to meet then-current standards.
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Section 10.2	We can terminate only if you default.

g. “Cause” defined – curable defaults	Section 10.2.2	You have 30 days to cure noticed curable defaults other than for non-payment of fees. You have five (5) days to cure non-payment of fees.
h. “Cause” defined – non-curable defaults	Section 10.2.1	Non-curable defaults include misuse of trademarks; breach of non-competition; unauthorized assignment or transfer of any rights of the Franchise Agreement; material misrepresentation; lack of prior consent when required; abandonment; repeated defaults even if cured; threat to public health or safety; bankruptcy; plead guilty or no contest to or conviction of a felony. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 1101, <i>et seq.</i>).
i. Your obligations on expiration, termination or non-renewal	Section 10.3	Obligations include final accounting, complete de-identification, our option to purchase assets, our option to assume your real estate lease (if any), and payment of amounts due. See row (r) below.
j. Our transfer of Franchise Agreement	Section 9.1	No restriction on our right to assign.
k. “Transfer” by you – definition	Section 9.2	Includes transfer of contract or assets, or any change of ownership.
l. Our approval of your transfer	Section 9.3	We have the right to approve all transfers.

m.	Conditions for our approval of transfer	Section 9.3	New franchisee qualifies, payment of all of your outstanding debts to us, cure of any defaults, then-current agreement signed by new franchisee or assumption of existing agreement, transfer fee paid; training completed; and release signed by you and your Related Parties.
n.	Our right of first refusal to acquire your business	Section 9.4	We or our designee can match any offer for your business.
o.	Our option to purchase your business	Section 9.4	We or our designee may, but are not required to, purchase your inventory and equipment at the lesser of the fair market value or depreciated value, if franchise is terminated for any reason.
p.	Your death or disability	Section 9.5	Heirs or beneficiaries must demonstrate within 90 days ability to operate franchise. Otherwise, franchise must be assigned by estate to approved buyer within six (6) months.
q.	Non-competition covenants during the term of the franchise	Section 8.6.1	No competing business during the Term.
r.	Non-competition covenants after the franchise expires, is terminated, or is not renewed	Sections 8.6.2 and 10.3	No competing business for two (2) years: (i) at the Approved Location, (ii) within 25 miles of the Approved location, or (iii) within 25 miles of another RAKKAN Ramen Business (including after assignment).
s.	Modification of the Franchise Agreement	Section 11.4	No modification, generally, unless on consent of both parties, but Operations Manual subject to change.
t.	Integration/merger clause	Section 11.6	Only the terms of the Franchise Agreement are binding (subject to this Disclosure Document and applicable state law). Any other promises may not be enforceable.

u. Dispute resolution by arbitration or mediation	Sections 11.7 and 11.8	Except for certain claims, claims must first be mediated prior to arbitration or litigation. All disputes must be litigated in California. The arbitration will occur with each respective party paying their own costs.
v. Choice of forum	Section 11.2.2	Arbitration in Los Angeles County, California, or, if litigated, the Circuit Court for of Los Angeles County, California or United States District Court for the Central District of California.
w. Choice of law	Section 11.2.1	California law applies.

ITEM 18
PUBLIC FIGURES

We do not use any public figures to promote any RAKKAN Ramen Business.

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.

TABLE

**HISTORICAL GROSS SALES FOR THE PERIOD JANUARY 1, 2025 TO
DECEMBER 31,2025 AT FRANCHISED RAKKAN OUTLETS OPEN MORE THAN
ONE YEAR ON DECEMBER 31, 2025**

	Gross Sales	Open Date	Square Feet
1	\$1,050,398.44	8.22.2022	1654
2	\$974,516.25	6.5.2023	2475
3	\$536,404.11	10.30.2023	1650
4	\$1,327,375.23	5.3.2021	1681
5	\$655,154.53	2.24.2023	2062

6	\$1,581,153.30	9.25.2023	1723
7	\$1,116,290.75	10.7.2023	1969
8	\$1,326,312.81	5.18.2024	1856

We have not audited this information. However, upon written request, we will provide you with substantiation of the data used in preparing this financial performance representation.

The characteristics of the franchised RAKKAN Outlets are generally similar to the franchises offered to prospective franchisees under this disclosure document.

Before signing any documents or making any investment, you must make your own independent investigation regarding the purchase of a RAKKAN franchise. You must consult with your own independent advisors, such as attorneys and accountants, to assist in determining the suitability of this investment for you.

The term “Gross Sales” means all revenues generated by franchisees through RAKKAN Outlets, excluding applicable sales or use taxes and legitimate refunds, and is not modified for uncollected accounts.

The Gross Sales figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the Gross Sales figures to obtain your net income or profit.

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you’ll sell as much.

Other than the foregoing, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Franchisor’s authorized agents for service of process described at the beginning of this disclosure document, the Federal Trade Commission, and the appropriate state regulatory agencies. If you receive any other financial performance information or projections of your future income, other than in this Item 19, you should report it to the franchisor’s management by contacting Ryohei Ito at 1025 W. 190th Street, Suite 218, Gardena, California 90248, franchise@rakkanramen.com and 424-329-0513, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
RESTAURANTS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary for Years 2023 to 2025

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2023	6	12	6
	2024	12	12	0
	2025	12	9	-3
Company-Owned	2023	3	3	0
	2024	3	3	0
	2025	3	3	0
Total Locations	2023	9	15	6
	2024	15	15	0
	2025	15	12	-3

Table 2
Transfers of Outlet From Franchisees to New Owners
(Other than Franchisor or an Affiliate) for Years 2023 to 2025

State	Year	Number of Transfers
Total	2023	0
	2024	0
	2025	0

Table 3
Status of Franchised Locations for Years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations	Outlets at End of Year
California	2023	1	2	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	1	0	0	0	1	3
Colorado	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	1	0
Georgia	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	1	0
Illinois	2023	1	0	0	0	0	0	1

	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Nevada	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	1	0
Texas	2023	1	4	0	0	0	0	5
	2024	5	1	0	0	0	1	5
	2025	5	0	0	0	0	0	5
Total	2023	6	6	0	0	0	0	12
	2024	12	1	0	0	0	1	12
	2025	12	1	0	0	0	4	9

Table 4
Status of Company-Owned Locations For Years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
California	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	0	0	0	0	3
Total	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	0	0	0	0	3

Table 5
Projected Openings as of December 31, 2025

State	Franchise Agreements Signed But Outlets Not Opened as of December 31, 2025	Projected New Franchised Locations as of December 31, 2025 (in 2026)	Projected New Company-Owned Locations as of December 31, 2025 (in 2026)
Texas	1	1	0
Washington, D.C.	2	1	0
Total	3	2	0

Attached as Exhibit D to this disclosure document is a list of the names, addresses and telephone numbers of our current franchised businesses. Also attached as Exhibit D to this disclosure document is a list of the names and city, state and last known business telephone number, of every franchisee who had an outlet terminated, canceled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the previous fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure

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

Please note that Exhibit D is current as of the issuance date of this Disclosure Document, while the tables above reflect the status of our outlets at the end of our prior fiscal year. Any discrepancies between Exhibit D and the Item 20 tables are due to events that have occurred in the intervening period.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with RAKKAN. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you. During the last three fiscal years, some franchisees have signed confidentiality clauses in an addendum due to circumstances that apply only to those specific franchisees.

There are no trademark-specific franchisee organizations associated with our franchise system.

ITEM 21 **FINANCIAL STATEMENTS**

Exhibit C to this Franchise Disclosure Document includes our audited financial statements, dated December 31, 2023, December 31, 2024, and December 31, 2025. Our fiscal year ends on December 31.

ITEM 22 **CONTRACTS**

Copies of all proposed agreements regarding the RAKKAN Ramen franchise offering are included in Exhibit A. These include:

The Franchise Agreement and the following exhibits:

- Exhibit A – Franchise Data Sheet
- Exhibit B – Statement of Ownership
- Exhibit C – Principal Owner’s Guaranty
- Exhibit D – Sample Release Agreement,
Waiver and Release of Claims
- Exhibit E – Nondisclosure, Nonsolicitation and
Noncompetition Agreement
- Exhibit F – Sample Confidentiality Agreement
- Exhibit G – Sample Approval of Requested Assignment
- Exhibit H – Lease Addendum
- Exhibit I – ACH Payment Agreement
- Exhibit J – SBA Addendum

A copy of the RAKKAN Ramen Area Development Agreement is included as Exhibit B to this Franchise Disclosure Document.

ITEM 23
RECEIPTS

Exhibit I to this Franchise Disclosure Document includes detachable documents acknowledging your receipt of this disclosure document. Please sign one (1) copy of the receipt and return it to us at the following address:

Ryohei Ito
Rakkan USA Franchise, LLC
1025 W. 190th Street, Suite 218
Gardena, California 90248
franchise@rakkanramen.com

The duplicate receipt is for your records.

**EXHIBIT A TO RAKKAN USA FRANCHISE, LLC.
FRANCHISE DISCLOSURE DOCUMENT**



RAKKAN FRANCHISE AGREEMENT

Franchise Owner: _____

Date: _____

Franchise Location: _____

RAKKAN FRANCHISE AGREEMENT

1. PARTIES

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into on this _____ day of _____, 20__ (the “Effective Date”), by and between RAKKAN USA Franchise, LLC, a California limited liability company, with its principal place of business at 1025 W. 190th Street, Suite 218, Gardena, California 90248 (“RAKKAN”, “Franchisor”, “we”, “us”, or “our”), and _____, located at _____ (collectively, “You” or “Franchisee”).

2. RECITALS

2.1 Ownership of the System

RAKKAN has the right to license You certain intellectual property rights, trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to, the RAKKAN trademarks. RAKKAN has spent a considerable amount of time, effort, and money to construct, and continues to develop, use, and control business methods, technical knowledge, marketing systems, trade secrets, purchasing arrangements, commercial ideas, advertising materials, marketing strategies, information on sources of supply, administrative procedures, business forms, distinctive signs, trade dress, architectural designs, and employee training techniques that, taken together, make up a proprietary system for the operation of a restaurant business specializing in ramen dishes and related products (the “System”).

2.2 Objectives of Parties

You desire to enter into the business of operating a RAKKAN business under the System using the Trade Name and Marks (as those are defined in Sections 3.11 and 3.17, below), and You wish to obtain from RAKKAN, and RAKKAN wishes to grant to You, a franchise for that purpose.

3. DEFINITIONS

3.1 Approved Location

“Approved Location” means the street address of the physical location approved in writing by RAKKAN for the operation of the RAKKAN Business, You will operate under this Agreement, which shall be set forth in Exhibit A to this Agreement.

3.2 Approved Territory

“Approved Territory” or “Territory” means the area set forth in Exhibit A of this Agreement.

3.3 Brand Fund

“Brand Fund” means a fund established by RAKKAN for purposes of increasing brand awareness and national advertising.

3.4 RAKKAN

“RAKKAN” means RAKKAN USA Franchise, LLC. or any person or entity to which RAKKAN allocates all or part of its rights and obligations under this Agreement.

3.5 RAKKAN Business

“RAKKAN Business” or the “Business” or the “Franchise Business” means the single “RAKKAN” business that RAKKAN authorized You to conduct under the Trade Name, Marks, and System within the Approved Territory, at the Approved Location, under this Agreement.

3.6 Expiration

“Expiration” means expiration of the Term of this Agreement, the non-renewal of this Agreement.

3.7 Franchise Network

“Franchise Network” means the interdependent network composed of RAKKAN Business, all RAKKAN franchisees, RAKKAN’s Related Parties, any other persons or business entities that RAKKAN has licensed to use the Trade Name, Marks, System, or any of them.

3.8 Good Standing

“Good Standing” means timely compliance by You and Your Related Parties with all provisions of this Agreement and the Manual, specifically including provisions for timely payment of amounts You owe to RAKKAN and its Related Parties.

3.9 Gross Revenues

“Gross Revenues” means the total selling price of all services and products sold at or from your RAKKAN Business (not adjusted for credit card fees), including the full value of any gift certificate redeemed at your RAKKAN Business or coupon sold for use at your RAKKAN Business (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from calculation), and all income and revenue of every other kind and nature related to the RAKKAN Business operation, whether for cash or credit.

3.10 Manual

“Manual” means the confidential Operations Manual and all other manuals that RAKKAN will lend to You, or authorize You to use, during the term of this Agreement and that contains information, forms and requirements for the establishment and operation of the RAKKAN

Business, and for use of RAKKAN's Trade Name and Marks, along with communications from RAKKAN to You, including, but not limited to, bulletins, e-mails, and text messages.

3.11 Marks

"Marks" means selected trademarks, service marks, trade dress, logotypes, slogans, and other commercial symbols licensed by RAKKAN to You under this Agreement.

3.12 Operating Principal

"Operating Principal" means the managing shareholder, partner, or member that You must designate if you are a legal entity.

3.13 Proprietary Service

"Proprietary Service" means any product or service that is composed of or in accordance with RAKKAN's specifications or that bears or has been labeled with any of the Marks.

3.14 Related Party

"Related Party" or "Related Parties" means persons and companies affiliated with RAKKAN or You, as the context indicates, including, but not limited to, owners (as defined herein), general partners, limited partners, shareholders, or members, owning an interest in (i) RAKKAN or in You; (ii) corporations or limited liability companies in which RAKKAN or You have an interest; (iii) corporations or limited liability companies in which any person or entity owning an interest in You also has an interest; or (iv) officers, directors, members, or agents of RAKKAN or of You

3.15 Termination

"Termination" means the termination of this Agreement under the circumstances described in Section 10 of this Agreement before the expiration of the Term.

3.16 Transfer

"Transfer" means any direct or indirect transfer, pledge, encumbrance, sale, gift, hypothecation, mortgage, sublicense, transfer through bequest or inheritance, transfer in trust, divorce or by operation of law or by any other means, or disposition of (i) any of the rights granted under this Agreement (ii) any part of this Agreement, (in) any rights or privileges incidental to this Agreement, (iv) the business or any interest therein, or (v) any ownership interest in you, including, without limitation, any arrangement whereby you sell or pledge accounts receivable or any other assets of the Franchised Business (each a "Transfer"). Without limiting the foregoing the term, "Transfer" includes any sale, resale, pledge, encumbrance transfer or assignment of: (a) any fractional partnership ownership interest if You are a partnership (b) any membership interest in you if you are a limited liability company and (c) any beneficial or economic ownership interest in you, any transfer of any fractional portion of your voting stock, or any increase in the number

of outstanding shares of your voting stock which results in a change of ownership, if you are a corporation.

3.17 Trade Name

“Trade Name” means the commercial names RAKKAN, individually or collectively.

3.18 You

“You” means the person or entity that is named as “You” in Section 1 of this Agreement. In addition, “You” means all persons or entities that succeed to Your interest by Transfer, other transfer, or operation of law.

NOW, THEREFORE, the parties agree as follows:

4. GRANT OF FRANCHISE

4.1 Granting Clause

RAKKAN grants to You the right and You hereby undertake the obligation upon the terms and conditions set forth in this Agreement: (a) to establish the RAKKAN Business at the Approved Location that includes the provision of such products and services as designated by RAKKAN, and (b) to use solely in connection therewith the Trade Name, Marks, and System, as they may be changed, improved and further developed from time-to-time. You shall not engage in any other business at the Approved Location without the prior written consent of RAKKAN.

4.2 Location

If you have not secured an Approved Location as of the Effective Date, You shall, at your sole cost and expense, secure an approved site for the RAKKAN Business in accordance with Section 7.2 of this Agreement. It is your sole responsibility to locate and purchase and/or lease a suitable site for the RAKKAN Business. You may not establish any other business at the Approved Location. You may not sublease space at the Approved Location to a third-party without our prior written consent. You may not market to customers outside of Your Approved Territory or engage in mail order, Internet, or any other sales except with RAKKAN’s express written approval and as part of RAKKAN’s coordinated marketing effort.

4.3 Approved Territory

During the term of this Agreement, and except as otherwise provided in this Agreement, RAKKAN agrees that it shall not establish, nor license any other person to establish another RAKKAN Business at any location within Your Approved Territory. Except as set forth in this Section 4.3, You have no exclusivity. You have no right to exclude development of business owned, franchised, or licensed by RAKKAN or its affiliates.

4.4 Rights Reserved

RAKKAN retains all rights that are not expressly granted to you under this Agreement. Without limiting this broad retention, and without granting You any rights therein, RAKKAN shall have the right to:

- (a) Operate a RAKKAN business at a trade show booth, or similar temporary location, within Your Approved Territory for up to fifteen (15) consecutive days;
- (b) Offer RAKKAN franchises to others for any site outside Your Approved Territory regardless of how close the site is to Your Approved Territory;
- (c) Sell, rent and distribute any Proprietary Services directly or indirectly, and/or license others to sell and distribute, any Proprietary Services, directly or indirectly, from any location to any purchaser (including, but not limited to, sales made to purchasers in the Approved Territory through retail establishments, mail order, independent distributors, wholesale distribution, phone order, and on the Internet, and/or sales to delivery customers), except that RAKKAN shall not do so from a RAKKAN Business inside the Approved Territory;
- (d) Develop, operate, and franchise others to operate, any business except a RAKKAN Business at any place, including within the Approved Territory, and use the Marks or any other trademarks owned, licensed, or developed by RAKKAN or its Affiliate in connection with those businesses, even if such business sell products and services similar to, the same as or competitive with, the Proprietary Services;
- (e) In its sole discretion, approve or disprove other franchisees' requests to purchase local advertising that penetrates Your Approved Territory; and
- (f) Merge with, acquire or be acquired by, any business of any kind under other systems and/or other marks, which business may offer, sell, operate or distribute and/or license others to offer, sell, operate and distribute goods and services through franchised or non-franchised businesses, at wholesale or retail, within and outside the Approved Territory.

4.5 Relocation

At RAKKAN's option, You may relocate the RAKKAN Business, with RAKKAN's prior written consent, if all of the following conditions are met:

- (a) You and Your Related Parties are in Good Standing under this Agreement and any other Agreement between RAKKAN and You, and You and Your Related Parties are in compliance with all provisions of the Manual;
- (b) You and any of Your Related Parties that have signed this Agreement have agreed to cancel this Agreement and execute a new Franchise Agreement in the form that

is currently effective at the time of relocation (with a term equal to the then-remaining term of this Agreement);

- (c) You have secured a site that is not located in another RAKKAN franchisee's approved Territory, and which meets our then-current size and demographic requirements and, if you are leasing the space, you have submitted the proposed lease agreement for our review and paid a Lease Review Fee;
- (d) You agree to equip and furnish Your new RAKKAN Business so that the business meets the standards of appearance and function applicable to new RAKKAN Business at the time of relocation;
- (e) You and Your Related Parties that are parties to this Agreement shall have executed a general release, in a form satisfactory to RAKKAN, of any and all claims against RAKKAN and its Related Parties, affiliates, successors and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants and employees in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any other agreement between You and RAKKAN or its affiliates, and federal, state, and local laws and rules; and
- (f) You may cease to operate the RAKKAN Business for no more than one (1) day only for the purposes of moving all equipment from the old Approved Location to the new approved location for the RAKKAN Business.

4.6 Term and Renewal

4.6.1 Initial Term

Except as otherwise provided herein the initial term of this Agreement shall commence on the Effective Date and shall expire on the date that is ten (10) years from the Effective Date (the "Term Expiration Date").

4.6.2 Renewal

You shall have the option to renew this Agreement for a renewal term (the "Renewal Term"), with such Renewal Term being for a period of ten (10) years, or for the remainder of Your then-current lease term, whichever is shorter, subject to your satisfaction of the following conditions, all of which shall be met before each renewal:

- (a) You and Your Related Parties are in Good Standing under this Agreement, and any other Agreement between RAKKAN and You, and You and Your Related Parties are in compliance with the Manual;

- (b) You shall give RAKKAN written notice of Your election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the then-current term;
- (c) You and any Related Parties that have signed this Agreement shall have signed a copy of the then-current Franchise Agreement (except with respect to the renewal provisions thereof, which shall not supersede this Section 4.6.2) not less than thirty (30) days before the expiration of the then-current term, or thirty (30) days after You receive a signature-ready copy of the then-current Franchise Agreement from RAKKAN, whichever is later;
- (d) You shall have, before the beginning of the renewal term, at Your own expense, modernized the RAKKAN Business and replaced and modernized the equipment, and the signs used in the RAKKAN Business as RAKKAN may require, in order for the RAKKAN Business to meet the then-current standards of appearance and function at the time of renewal;
- (e) You and Your Related Parties that are parties to this Agreement shall have executed a general release, in a form satisfactory to RAKKAN, of any and all claims against RAKKAN and its Related Parties affiliates successors and assigns and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any other agreement between You and RAKKAN or its affiliates, and federal, state, and local laws and rules;
- (f) You shall have paid a Renewal Fee of Five Thousand Dollars (\$5,000); and
- (g) You must submit a copy of the proposed lease agreement for the Premises You will occupy during the Renewal Term to RAKKAN for review and approval at least forty-five (45) days before the end of the then-current term.

The provisions of the standard Franchise Agreement in use by RAKKAN at the time of renewal may be materially different than those contained in this Agreement, including, but not limited to, provisions for increased royalties, advertising, and other fees. You hereby acknowledge and agree that Your right to renew this Agreement shall be contingent upon Your execution of the then-current form of Franchise Agreement and acceptance of the new provisions.

5. SERVICES TO FRANCHISEE

RAKKAN agrees to perform the following services for You provided that You are, at the time when service is to be rendered, in Good Standing under this Agreement, any other agreement with RAKKAN, and You are in compliance with the Manual.

5.1 Business Layout and Interior Decoration

RAKKAN will make available prototype or sample plans and specifications for one or more existing RAKKAN Business. You shall, at your own expense, tailor the plans and specifications provided by RAKKAN for Your individual use and then submit the customized plans and specifications to RAKKAN for written approval, which will not be unreasonably withheld.

RAKKAN's approval shall be limited to conformance with RAKKAN's prototype and sample plans, and shall not relate to Your obligations with respect to any federal, state or local laws, or codes and regulations, including the applicable provisions of the Americans with Disabilities Act (the "ADA"), regarding the construction, design and operation of the RAKKAN business, which subjects shall be Your sole responsibility.

You shall comply with all federal, state and local laws, and codes and regulations, including the applicable provisions of the ADA regarding the construction, design and operation of the RAKKAN business. You are responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations, or which may be necessary or advisable owing to any restrictive covenants relating to Your location. After having obtained such approvals and clearances, You shall obtain all permits and certifications required for the lawful construction and operation of the RAKKAN business.

5.2 Training

5.2.1 Initial Training

Before the opening of Your RAKKAN business, RAKKAN will conduct an initial training program concerning the operation of the RAKKAN business under the RAKKAN System for Your Operating Principal and manager, if any, if you are a legal entity, or You and your manager, if any, if you are an individual, and up to two (2) additional business staff. This will cost Ten Thousand Dollars (\$10,000). Additional persons may attend initial training for a fee of up to \$1,500 per attendee. You or Your Operating Principal (if you are a corporate entity) and/or manager, if any, shall attend and successfully complete the initial training program to the satisfaction of RAKKAN before You may open the RAKKAN business.

5.2.2 Continuing Training

In an effort to maintain brand standards and to protect and enhance the goodwill associated with the System and the Marks, RAKKAN may offer ongoing training or education programs on matters related to the operation or promotion of the RAKKAN business on an optional or mandatory basis, as it deems appropriate, in its sole discretion. You shall attend and complete all such continuing education programs RAKKAN requires. You shall be responsible for Your own expenses and those of Your employees who attend any such training or education programs. RAKKAN may also require you to pay a fee for continuing training and education programs of its costs, plus an administrative fee. You must complete all education and training programs RAKKAN designates to RAKKAN's satisfaction. If you replace a General Manager, or your General Manager is required to retake the Initial Training (as described above), you will be

responsible to pay an additional per-attendee fee of \$1,000 (for a five-day training), \$2,000 (for a ten-day training), or \$3,000 (for a fifteen-day training). Beyond replacing or re-training your General Manager, you may be required to pay an Additional Training Fee of \$1,000 (for a five-day training) or \$2,000 (for a ten-day training) for additional training at our designated location. If the training occurs at your location, the fee will be \$200 per day, plus reimbursement of our expenses – with a minimum of two days.

5.3 Periodic Advisory Assistance

RAKKAN will, as it deems advisable, provide periodic advisory assistance to You concerning the operation and promotion of the RAKKAN business.

5.4 Manual

RAKKAN will lend You a Manual containing explicit instructions for use of the Marks, specifications for goods that will be used in or sold by the RAKKAN business, sample business forms, information on marketing, management, and administration methods developed by RAKKAN for use in the RAKKAN business, names of approved suppliers, and other information that RAKKAN believes may be necessary or helpful to You in Your operation of the RAKKAN business. RAKKAN will revise the Manual periodically, at its discretion to conform to the changing needs of the Franchise Network and will distribute updated pages containing these revisions to You from time-to-time. Alternatively, and in lieu of a hard copy of the Manual, RAKKAN may make available to You a Manual in electronic form that is accessible to you. RAKKAN will notify You of any updates to the Manual. You shall be responsible for immediately downloading and complying with the revised Manual.

5.5 Advertising

RAKKAN may, but is not required to, provide you with electronic access to certain advertising materials, including in PDF format. These materials may include video and audiotapes, copy-ready print advertising materials, posters, banners and miscellaneous point-of-sale Items, and may be regional or national at RAKKAN's sole discretion. Printing of any and all such materials shall be at your sole cost and expense. RAKKAN reserves the right to change the format in which it provides these materials to you in the future.

5.6 Approved Suppliers

RAKKAN has the absolute right to limit the suppliers with whom you may deal. RAKKAN will provide to You a list of the names and addresses of the approved suppliers who then-currently meet RAKKAN's standards and specifications in the Manual. RAKKAN reserves the right to act as the only approved supplier for some or all of the Approved Products and Services and products You will purchase for Your RAKKAN business. RAKKAN reserves the right to charge a mark-up on any product or service sold to You. In advising You of suppliers who meet its standards and specifications, RAKKAN expressly disclaims any warranties or representations as to the condition of the goods or services sold by the suppliers, including, without limitation, expressed or implied warranties as to merchantability or fitness for any intended purpose. You agree to look solely to

the manufacturer or the supplier of equipment or services for the remedy for any defect in the goods or services. RAKKAN reserves the right to change the list of approved suppliers from time-to-time, in its sole and absolute discretion.

RAKKAN may receive payments and/or other compensation from approved suppliers in any form on account of such suppliers dealing with You and/or other franchisees, and RAKKAN may use all amounts so received for any purpose RAKKAN deems appropriate. You acknowledge and agree that RAKKAN shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments, or benefits (collectively, "Allowances") offered by suppliers to You or to RAKKAN or its affiliates based upon Your purchases of Proprietary Services, products and other goods and services. You assign to RAKKAN or its designee all of Your right, title and interest in, and to any and all such Allowances and authorize RAKKAN or its designee to collect and retain any or all such Allowances without restriction.

RAKKAN may, from time-to-time, revoke its approval of particular items, services, products or suppliers if RAKKAN determines, in its sole and absolute discretion. Upon receipt of notice of such revocation, You shall cease to offer, sell or use any disapproved item, products or services and You shall immediately cease to purchase from any disapproved supplier.

6. PAYMENTS BY FRANCHISEE

6.1 Initial Franchise Fee

When You sign this Agreement, You shall pay RAKKAN in cash or another form of payment that will make the funds immediately accessible to RAKKAN, such as cashier's check or wire transfer, an initial franchise fee of \$20,000 (the "Initial Franchise Fee"). The Initial Franchise Fee is not refundable.

6.2 Royalties

During the term of this Agreement, You shall pay RAKKAN a continuing royalty fee in the amount of 5% of weekly Gross Revenue, due each Wednesday, for the preceding week ending on Sunday.

6.3 Method and Application of Payments

You shall pay your continuing weekly royalties, advertising fees, and all other fees you are required to pay to RAKKAN, in accordance with the procedures designated by RAKKAN, which procedures RAKKAN has the discretion to change at any time upon written notice to you. Payment of royalties and fees shall be made by electronic funds transfer or direct deposit.

At no time will You sell, encumber or assign any of Your revenue stream, which includes, but is not limited to, current or future customer charges, to any other party without the prior written consent of RAKKAN.

RAKKAN has the right to apply any payment it receives from You to any past due amount You owe to RAKKAN regardless of how You indicate the payment is to be applied. RAKKAN reserves

the right to change the manner in which you pay any and all fees you are required to pay to RAKKAN at any time upon written notice to you.

6.4 When Payments Begin

Your obligation to pay continuing weekly royalties (or minimum royalties) and other fees begins on the date Your business opens for business, or six (6) months from the Effective Date of this Agreement, whichever is sooner.

6.5 Audit

RAKKAN has the right during normal working hours to audit Your books and records, including Your tax returns with respect to the RAKKAN business. If an audit discloses an underpayment of royalties, advertising, or other fees payable under this Agreement, You shall immediately pay these amounts to RAKKAN, together with accrued interest on the amount underpaid in accordance with Section 6.9 of this Agreement. In addition, if the underpayment exceeds two five (5%) of the total royalty, advertising, or other fee payable for any period covered under the audit, You shall reimburse RAKKAN for all expenses actually incurred by RAKKAN in connection with the audit, including reasonable attorneys' fees.

6.6 Training Fees and Costs

RAKKAN will not charge a fee for the initial training program for Your Operating Principal, manager, if any, if you are a legal entity, or You and your manager, if any, if you are an individual and up to three (3) additional business staff. However, if additional persons are trained, RAKKAN may charge a training fee of \$1,500 per attendee. RAKKAN may also charge a training fee for continuing education programs at cost plus an administrative fee determined by RAKKAN for all training offered by RAKKAN, You shall pay any costs of travel, lodging, meals and other incidental expenses that You and Your employees incur. You shall also pay for the cost of business class transportation, lodging, meals, and other incidental expenses incurred by RAKKAN in connection with any training conducted at Your site.

6.7 Consulting Fees and Costs

In addition to the periodic advisory assistance described in Section 5.3, optional consulting services may be made available to You by RAKKAN on a per hour fee basis, at a rate determined by RAKKAN, plus reimbursement of direct costs. You shall promptly pay such consulting fees and reimburse RAKKAN for all incidental expenses incurred by RAKKAN in rendering such consulting services, including, but not limited to, the cost of business class transportation, lodging, meals, and telephone, fax, and courier charges.

6.8 Transfer Fee

You shall pay to RAKKAN a transfer fee of Ten Thousand Dollars (\$10,000), as a condition of, and prior to, any Transfer.

6.9 Interest on Late Payments

Any payment not received by RAKKAN when due will be subject to a five percent (5%) Late Payment Penalty. Beyond this, this amount will bear interest at one and one half (1.5%) per year or at the highest rate allowed by applicable law on the date when payment is due, whichever is less. Interest charges on late payments are intended to partially compensate RAKKAN for loss of use of the funds and for internal administrative costs resulting from late payment which would otherwise be difficult to measure precisely. The fact that such charges are imposed shall not be construed as a waiver of RAKKAN right to timely payment.

6.10 Supplier and Product Evaluation Fee

If You would like to use alternative supplier for a product or service to be used in or sold at Your RAKKAN business (except in instances where we have designated a sole supplier of any product, item, good, equipment service or supplies), You must submit a Supplier and Product Evaluation Form (as set forth in Section 7.3.3) and may be required to pay a Supplier and Product Evaluation Fee. The current Supplier and Product Evaluation Fee is one thousand dollars (\$1,000) for each alternative supplier request You submit to Us. If a fee is required, it is due and payable upon submission of an alternative supplier request. It is not refundable under any circumstances. We may grant or deny any such request in our sole and absolute discretion.

6.12 Priority of Payments

All fees paid in accordance with this Section 6, inclusive, shall be paid on a preferred priority basis, before the payment of operating and capital expenditures, including, but not limited to, rent, vendors, suppliers, distributors, advertisers, salaries, commissions, and in advance of all distributions and remunerations by You to Your Operating Principal and/or Related Parties.

7. OBLIGATIONS OF FRANCHISEE

7.1 Use of Trade Name and Marks

7.1.1 Permitted Use

You may use the Trade Name and Marks only in the operation of the RAKKAN business within the Approved Territory in accordance with the terms and conditions of this Agreement and subject to the limitations specified by RAKKAN in the Manual or otherwise in writing. **You shall not, under any circumstances, use the Trade Name or any of the Marks, including “RAKKAN,” in any manner, in the name of your corporation, limited liability company, partnership or other legal entity.** You may not license any third party to use RAKKAN’s Trade Name and Marks. You may not use the Trade Name or Marks on the internet, in any electronic advertising or social media, including but not limited to on Facebook®, Twitter®, Instagram®, YouTube® or other similar electronic advertising or social media without our prior written consent. You may not use any other trade name or marks at the Approved Location, or in connection with the RAKKAN business, without the express written consent and direction of RAKKAN. You shall refrain from

engaging in any action (or failing to take any action) that causes or could cause damage to the Marks, the System, or the goodwill associated with the Marks.

7.1.2 Changes in Trade Names and Marks

RAKKAN has invested substantial time, energy, and money in the promotion and protection of its Trade Name and Marks as they exist on the Effective Date. However, You and RAKKAN recognize that rights in intangible property such as the Trade Name and Marks are often difficult to establish and defend, and that changes in the cultural and economic environment within which the System operates or third-party challenges to RAKKAN rights in the Marks may make changes in the Trade Name and Marks desirable or necessary. RAKKAN therefore reserves the right to change its Trade Name and Marks (although it has no present intention to do so) and the specifications for each when RAKKAN believes that such changes will benefit the Franchise Network. RAKKAN will do this in a manner that minimizes cost to You. You agree that You shall promptly conform, at Your own expense, to any such changes.

7.1.3 Advertising Materials

You agree to submit to RAKKAN copies of all advertising materials that You propose to use at least two weeks before the first time they are broadcast or published. RAKKAN will review the materials within a reasonable time and will promptly notify You in writing as to whether it approves or rejects them. RAKKAN may not withhold its approval unreasonably. For purposes of this paragraph, advertising materials that differ from previously approved materials only in such variables as date or price will be considered to be previously approved. Even if RAKKAN approves specified materials, it may later withdraw its approval in its sole and absolute discretion, including, without limitation, if it reasonably believes this is necessary to make the advertising conform to changes in the System or to correct unacceptable features of the advertising, including any misrepresentation in the advertising material.

7.1.4 Legal Protection

You agree to notify RAKKAN immediately in writing if You become aware of any unauthorized use of RAKKAN's Trade Name, Marks, or System. You shall promptly notify RAKKAN in writing of any claim, demand or suit against You or against Your principals. You shall promptly notify RAKKAN in writing of any claim, demand or suit against You or against Your principals in connection with Your use of the Trade Name, Marks, or System. In any action or proceeding arising from or in connection with any such claim, demand, or suit, You agree that RAKKAN may select legal counsel and has the right to control the proceedings. In certain cases, as described in Section 8.5 of this agreement, RAKKAN will indemnify and hold You harmless.

7.2 Site Selection and Approval, Lease or Purchase of Location

7.2.1 Site Selection

You shall, on Your own initiative and at Your own expense, locate, obtain and occupy the site for the RAKKAN business. The site shall be a minimum of 750 square feet with six to eight tables,

and shall meet minimum demographic/geographic requirements, as described in the Manual, which vary by region. You are responsible for completing and submitting to RAKKAN for review and approval the information and materials regarding your proposed site. RAKKAN will issue its preliminary approval or disapproval of your proposed site within 30 days after RAKKAN has received all of the information and materials. RAKKAN may not withhold its approval unreasonably. RAKKAN will not be deemed to have withheld its approval unreasonably if the proposed site fails to meet RAKKAN's then-current standards and specifications, as RAKKAN determines in its sole and absolute discretion. If, after your submission to RAKKAN of the necessary documents, RAKKAN issues an approval of your proposed site (the "Approved Location"), you shall submit a copy of the proposed lease for the Approved Location before you sign the lease.

You acknowledge and agree that our recommendation or approval of a particular site for the RAKKAN business, and any information communicated to you regarding our site-selection requirements or criteria, do not constitute a representation or warranty of any kind, express or implied, as to the suitability of the location or for any other purpose. By approving a particular site for the RAKKAN business, RAKKAN does not guarantee that the RAKKAN business will be successful. You acknowledge that your selection of the site for the RAKKAN business is based on Your own independent investigation of the suitability of the site.

If you do not locate an Approved Location and enter into a lease or purchase agreement for the Approved Location in accordance with paragraph 7.2.2 below within one hundred and twenty (120) days of the Effective Date, RAKKAN may terminate this Agreement. You hereby acknowledge that RAKKAN will not refund the Initial Franchise Fee to You if You are unable to secure a satisfactory site.

7.2.2 Purchase or Lease of the Location

As stated above, You must lease, sublease or purchase the Approved Location within one hundred and twenty (120) days of the Effective Date. If you fail to do so, we have the right to immediately terminate this Agreement. We have the right, but not the obligation, to review the business terms of any lease, sublease, lease renewal or purchase contract for the Approved Location before You sign it. You must include all of the provisions set forth in the Lease Rider attached to this Agreement as Exhibit H, along with any other provision we designate, in the lease agreement for the Approved Location. You shall not execute a lease, sublease, lease renewal or purchase agreement, or any modification to any lease, sublease or lease renewal, without first obtaining our written approval. If we disapprove of Your lease, sublease, lease renewal or purchase agreement, the Approved Location shall be deemed disapproved and you shall have no right to open or operate the RAKKAN business at such location. **You acknowledge that our approval of the lease, sublease, lease renewal or purchase contract, as applicable, does not constitute a warranty or representation of any kind, express or implied, as to its fairness, suitability, or for any other purpose.** You are strongly advised to seek legal counsel to review, negotiate and evaluate the proposed lease for the Approved Location on Your behalf. You shall provide us with a fully-executed copy of the lease, sublease, lease renewal or purchase contract within five (5) business days following the date such agreement is fully executed.

7.3 Quality Control

7.3.1 Business Construction and Opening

- (a) Plans and Specifications. RAKKAN will provide you with its then-current generic, prototypical plans for a typical RAKKAN business, including a sample layout for the interior of a typical franchised location. You acknowledge that such plans and specifications shall not contain the requirements of any federal, state, or local law, code, or regulation (including, without limitation, those concerning the Americans with Disabilities Act (the “ADA”) or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build your RAKKAN business. It shall be Your sole and absolute responsibility to construct the RAKKAN business in accordance with all applicable laws, including the ADA and local laws, rules and regulations governing public accommodations.
- (b) Adaption of Plans and Specifications. You shall, at Your sole cost and expense, employ architects, designers, engineers or others as may be necessary to complete, adapt, modify or substitute the sample plans and specifications to RAKKAN prior to commencing construction of the RAKKAN business. RAKKAN will review such plans and specifications and will approve or provide comments on the plans and specifications to You.
- (c) RAKKAN’s Approval. You shall not commence construction of the RAKKAN business until RAKKAN approves, in writing, the final plans and specifications to be used in constructing the RAKKAN business. Once the final plans are approved, You shall cause the RAKKAN business to be completed in full accordance therewith.
- (d) Alterations and Modifications. If RAKKAN determines that the RAKKAN business is not being built, or was not built, in full accordance with the final plans, RAKKAN shall have the right to require You to cause to be made all alterations or modifications of the RAKKAN business that RAKKAN deems necessary. RAKKAN may consult with You, to the extent RAKKAN deems necessary, on the construction and equipping of the RAKKAN business, but it will be and remain Your sole responsibility to diligently design, construct, equip and otherwise ready and open the RAKKAN business.
- (e) Zoning and Permits. You shall be responsible, at your expense, for obtaining all zoning classifications, permits clearances, certificates of occupancy and RAKKAN business clearances which may be required by governmental authorities for the RAKKAN business.
- (f) Insurance Coverage. You shall obtain and maintain in force during the entire period of such construction, such insurance policies required under Your lease agreement,

in addition to such policies and coverage amounts as RAKKAN may designate in its sole discretion. Currently, you must have the following insurance at a minimum:

- Comprehensive general liability insurance with limits of at least \$1,000,000 per person per occurrence (and \$3,000,000 aggregate for bodily injury) and at least \$50,000 for property damage per occurrence;
 - Personal injury and advertising injury insurance with limits of at least \$1,000,000 per occurrence;
 - Employer Practices Liability insurance with limits of at least \$1,000,000;
 - An Umbrella Liability insurance policy with a limit of at least \$1,000,000;
 - “All risk” insurance on the premises, equipment and supplies, for loss or damage by fire, windstorm, flood, casualty, theft and other risk usually insured against by the owners or lessors of similar property, for at least 100% of the replacement cost of the property. Unless you obtain a written waiver from us, any RAKKAN Business sustaining loss or damage must be repaired, restored, or rebuilt within 60 days after the date of the loss or damage;
 - Automobile liability insurance on each vehicle used in the business within the minimum coverage limits as required by the law of the state or jurisdiction in which you are engaged in business; and
 - Business Interruption Insurance in an amount necessary to satisfy your obligations under the Franchise Agreement and lease for the Franchised Business location, for a minimum of 12 months;
 - Worker’s compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of your RAKKAN Business, if required by your state or jurisdiction.
- (g) Licensed Contractors. You shall use licensed general contractors, designers and architects in performing any and all construction work at the RAKKAN business, including in connection with any remodeling or renovations. RAKKAN expressly disclaims any warranty of the quality or merchantability of any goods or services provided by architects, contractors or any other persons or entities to which RAKKAN may refer You. RAKKAN is not responsible for delays in the construction, equipping or decoration of any RAKKAN business, or for any loss resulting from the RAKKAN business design or construction. You acknowledge that RAKKAN has no control over the landlord or developer, and numerous construction and/or related problems that could occur and delay the opening of the RAKKAN business.

- (h) RAKKAN Access to Business and Progress Reports. RAKKAN shall have access to the RAKKAN business at all times during the Term, including while work is in progress and may require alterations or modifications of the construction of the RAKKAN business that RAKKAN deems necessary to ensure brand uniformity and system standard compliance.
- (i) Final Inspection, Approval. You shall promptly notify RAKKAN of the date of completion of the construction of the RAKKAN business. RAKKAN shall have the right to conduct a final inspection of the RAKKAN business. You shall not open the RAKKAN business for business without the express written authorization of RAKKAN, and RAKKAN's authorization to open may be conditioned upon your strict compliance with the specifications of the approved final plans and with the standards of the System.
- (j) Installation of Equipment, Furnishings, Fixtures, and Signs/Décor.
 - i. You shall install and use in and about the RAKKAN business only such equipment, fixtures, furnishings, interior and exterior signage, and other personal property, which strictly conforms to the appearance, uniform standards, specifications and procedures of RAKKAN and the System, as may be revised from time-to-time in RAKKAN's sole discretion. Such items are sometimes referred to herein collectively as "Equipment and Furnishings." You shall purchase and install all Equipment and Furnishings only from those suppliers RAKKAN designates or approves in its sole discretion, including affiliates of RAKKAN. RAKKAN shall have the right to retain any rebates or incentives offered by such vendors or suppliers. RAKKAN reserves the right to be one of, or the sole, supplier of any Equipment and Furnishings and may derive revenue, benefits, or other material consideration from such purchases. RAKKAN shall have the right to inspect and approve all Equipment and Furnishings and their installation to ensure your compliance with RAKKAN's System Standards and Specifications.
 - ii. You agree that all decor of the RAKKAN business must be previously approved by RAKKAN and must comply with RAKKAN's standards, as described in the Manual or in other written communications RAKKAN provides to you, which may be periodically revised. RAKKAN shall be deemed to be the owner of all copyrights in and to all forms of art or other visual media displayed in the business, including pictures, drawings photographs and items that RAKKAN directs you to display (the "Art"), as well as all intellectual property rights in and to the Art. You shall not, without RAKKAN's prior written consent, allow any of the Art to become a fixture of Your RAKKAN business and You shall not display or use the Art in any other business. Your failure to maintain your RAKKAN business's decor in compliance with RAKKAN's specifications and

standards described in the Manual or otherwise constitutes a material breach of this Agreement.

- (k) Completion and Opening Requirements. You shall complete construction of the RAKKAN business (including all exterior and interior carpentry, electrical painting, and finishing work, and installation of all furniture, fixtures, equipment, and signs) in accordance with the plans approved in writing by RAKKAN, at your expense and open the RAKKAN business to the public no later than three hundred and sixty-five (365) days after the Effective Date (the “Required Opening Date”). Time is of the essence. You may not open the RAKKAN business to the public until RAKKAN issues a written approval authorizing your opening. RAKKAN will not issue its approval, and you will be prohibited from opening the business, if (a) the business has not been constructed and equipped in accordance with RAKKAN’s standards and specifications, (b) you fail to successfully complete initial training, or (c) in view of RAKKAN’s management, RAKKAN determines you and your employees are not prepared to open.

Opening without RAKKAN’s written certification that You are prepared to do so is a material breach of this Agreement and constitutes infringement on RAKKAN’s intellectual property rights, justifying injunctive relief and termination of this Agreement. **By certifying that RAKKAN’s management believes You are prepared to commence business, RAKKAN does not guarantee that the RAKKAN business will be successful.** Your success will depend on a number of factors, including general economic conditions and Your skill and hard work which are not within RAKKAN control.

7.3.2 Compliance with Manual

You shall operate Your RAKKAN business in complete compliance with the standards and specifications, as set forth in the Manual, or otherwise in writing. RAKKAN may make changes to any of these standards and specifications, at any time, in RAKKAN’s sole and absolute discretion. Such changes may necessitate the purchase of equipment, supplies furnishings or other goods, completion of additional training by Your employees, remodeling of the RAKKAN business, or other cost to You. You shall promptly conform to the modified standards and specifications at Your own expense. You shall, at all times, keep Your copy of the Manual current (by, for example, inserting in it revised pages given to You by RAKKAN and deleting superseded pages, or downloading from RAKKAN’s website, the current version of the Manual upon notification of any revision to the Manual). If there is any dispute as to the requirements of the Manual at any point in time, the terms of the master copy of the Manual maintained by RAKKAN will control.

You shall at all times treat the Manual, any other manuals created for or approved for use in the operation of the RAKKAN business, and the information contained therein as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Except for those portions of the Manual that RAKKAN designates, in writing, as appropriate for copying and use at the RAKKAN business, You shall not, at any time, copy, duplicate, record, or otherwise

reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any third party without our prior written consent.

7.3.3 Required Products and Services

You must offer all of the products and services we designate. We have the right to modify these items from time-to-time, at our sole discretion. You may not offer or sell any other product or service without our prior written consent. You must use the proprietary and nonproprietary techniques, materials and supplies we designate in the Manual. You must provide all services (including Proprietary Services) in accordance with the standards and specifications set forth in the Manual. You must, at all times, maintain sufficient staff, materials and supplies to meet reasonably anticipated customer demand.

- (a) Approved Suppliers. We have the absolute right to limit the suppliers with whom you may deal. We may require you to purchase certain items, products, services, signs, furnishings, supplies, fixtures and equipment from us or distributors we have approved. Unless we specify otherwise in writing, you may be required to purchase all goods, items, products, equipment and services required for the development and operation of the business from our approved or designated suppliers. We have the right to designate one supplier for any given item or service. We may provide you with a list of suppliers, which list may change over time. While the suppliers included on this list may be mandated, approved and/or recommended, we reserve the right to change this list, from time-to-time, in our sole discretion. Notifications of changes to the approved suppliers list will be communicated to you through changes to the Manual or other written communications, including via electronic mail. We may revoke approval of suppliers in our sole and absolute discretion, at any time, upon written notice. We may become an approved supplier, and/or the only supplier, for any item, product, good and/or service at any time. We reserve the right to own an interest in any entity that will act as an approved supplier for any or all products and services You will use, offer and/or sell in the RAKKAN business.
- (b) Right to Derive Income. We may derive income, consideration payments and other benefits on account of your purchase or lease of any products, services, supplies, equipment and/or other items from us or any supplier, including approved suppliers and/or designated suppliers. This income may be derived in any form, including as a rebate from various suppliers based on the quantity of System franchisee purchases. We may use these benefits for any purpose we deem appropriate. We are not obligated to remit any benefits to you and reserve the right to retain all such benefits.
- (c) Alternative Suppliers. If you want to purchase any item, product service, goods, equipment or supplies from a supplier or distributor who is not on our approved list, you may request our approval of the supplier or distributor (except in instances where we have designated a sole supplier of any product, item good, equipment, service or supplies), which we may grant or deny in our sole and absolute

discretion. The proposed supplier's or distributor's product or service, as applicable, must conform in every respect to our standards and specifications, and the supplier or distributor must have a good business reputation and be able and willing to provide sufficient quantities of the product and adequate service to you. The supplier or distributor must also provide us with any information we request in order to analyze the supplier's or distributor's suitability, and the composition and conformity of the product to our standards. This evaluation may include a sampling of the product at either the supplier's/distributor's or our place of business as we may designate. Where appropriate, we may require the supplier or distributor to provide us with product liability insurance. All suppliers and distributors must agree to provide us with reports concerning all purchases by you or other franchisees. You may be required to pay us a Supplier and Product Evaluation Fee of not more than one thousand dollars (\$1,000) for each alternative supplier request You submit to Us. We cannot predict with any certainty how long any evaluation will take, however, we will attempt to complete our evaluation within thirty (30) days. Upon the completion of our evaluation, we will inform you of our approval or disapproval of your request. If we approve the supplier or distributor, the supplier or distributor is added to our approved list, however, our approval of a supplier or distributor relates only to the item or product line evaluated and specifically approved by us.

Our standards, specifications and other criteria, for supplier or distributor approval have been developed by us, our affiliates, and/or or principals through the expenditure of extensive work and time, and are considered confidential information. Therefore, we do not make our standards and specifications or our other criteria for supplier or distributor approval available to you or suppliers.

- (d) Modifications. We may modify our specifications and standards for any item or revoke our approval of any supplier or distributor who fails to adhere to our quality standards or other requirements. We may limit the number of potential suppliers that we consider for approval and, for some categories of products, we may designate a third-party or ourselves as an exclusive supplier.

NEITHER RAKKAN, ITS PARENTS OR AFFILIATES, MAKE ANY EXPRESS OR IMPLIED WARRANTIES REGARDING ANY ITEM OR SERVICE, AND RAKKAN AND ITS AFFILIATES EXCLUDE (AND EXPRESSLY DISCLAIM) ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, except as set forth in a particular written warranty, if any, provided in connection with a particular item or service.

- (e) Further Restrictions. You shall not offer or sell any product, item or service we have not designated or expressly approved in writing without our prior written consent, which may be granted or withheld in our sole and absolute discretion. We reserve the right to sell products and services to you for a profit.

- (f) Purchasing Programs, Promotional Programs. We may establish national or regional purchasing programs for the purpose of negotiating purchases of certain products and/or services from approved or designated suppliers. The purchasing programs may (but are not required to) benefit you by reducing prices, increasing reliability in supply, improving distribution, and establishing consistent pricing for reasonable periods to avoid market fluctuations. If a national and/or regional purchasing program is established for the region where your Franchised Business is located, you must participate in the program.
- (g) Pricing. You must offer all Proprietary Services, products and services that we designate. We reserve the right to prohibit you from charging prices lower than our published prices for any service or item, to the maximum extent allowed by applicable law. We may also suggest pricing to you from time-to-time. We may change the types of authorized goods and services, and the prices for authorized goods and services sold by You in our sole discretion. There are no limitations on our right to make changes.

7.3.4 Inspections.

In an effort to advance the protection and enhancement of the RAKKAN brand and the Marks, RAKKAN and/or its designated agents or representatives may conduct periodic quality control and records inspections of the RAKKAN business at any time during the Term. Inspections may be made with or without prior notice. Without limiting the foregoing, you grant RAKKAN and its agents the right to: (a) enter upon the RAKKAN business premises for the purpose of conducting inspections, and you shall cooperate with RAKKAN representatives in such inspections by rendering such assistance as they may reasonably request; (b) photograph your RAKKAN business and observe and record video of your business's operation for consecutive or intermittent periods as RAKKAN deems necessary; (c) interview your personnel and customers; and (d) inspect and copy any books records and documents related to your RAKKAN business's operation. You shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. If any inspection reveals that you are not in compliance with any provision of this Agreement, the Manual, or any of RAKKAN's standards and/or specifications, you shall be deemed in breach of your obligations under this Agreement and RAKKAN shall have the right to terminate this Agreement as provided under Section 10.2 of this Agreement, if you fail to cure the breach before the expiration of all applicable notice and cure periods. You further agree that You will reimburse RAKKAN for its representative's time and travel expenses if an additional inspection at the RAKKAN business is required when a violation has occurred and You have not corrected the violation.

7.3.5 Customer Satisfaction

You must present customers with such evaluation cards or forms as the Franchisor may periodically prescribe, for return by the customers to RAKKAN If Your scores from the customer response forms do not meet RAKKAN's then-current standards, as may be described in the Manual, RAKKAN may suggest ways in which You can improve Your scores. If You do not take immediate, effective steps to bring Your operation into conformity with RAKKAN's standards,

Your failure to do so will constitute a material breach of this Agreement, and You shall be subject to termination pursuant to Section 10.2.

You shall respond to all customer complaints suggestions and the like via e-mail, telephone, or regular mail within 48 hours of submission by the customer or prospective customer.

You shall install a video and/or security system, in a manner we deem acceptable, in our sole discretion, and shall provide RAKKAN with access to view the video at any time.

7.3.6 Maintenance Requirements

All equipment repairs shall be completed within seventy-two (72) hours. Any damaged or “worn” equipment shall be repaired (reupholstered, etc.) every six months, or as needed. Interior walls of common areas shall be painted or “touched up” every six months, or as needed. You shall maintain the RAKKAN business in accordance with the requirements set forth in the Manual. From time-to-time, RAKKAN may require You to remodel all or part of the RAKKAN business and purchase new equipment furniture, fixtures, signs and other such items as RAKKAN designates in its sole discretion. You must promptly, at Your own cost and expense, remodel refurbish, and improve the RAKKAN business as instructed by RAKKAN.

7.3.7 Notification of Complaints

You shall notify RAKKAN promptly if You are served with a complaint or demand in any legal proceeding that is in any way related to the RAKKAN business or if You become aware that You are the subject of any complaint to or investigation by a governmental agency, governmental licensing authority, or consumer protection agency. You shall notify RAKKAN immediately upon receipt of any notice of a breach of the lease agreement for the premises of the RAKKAN business. You must notify RAKKAN of any claim arising from or affecting the financial condition of your RAKKAN business.

7.3.8 Computer System Requirements

You shall purchase and maintain a computer and point-of-sale system, as designated by RAKKAN (the “POS System”), to be used in the operation of the RAKKAN business and for reporting purposes. You shall comply with the following provisions relating to the POS System:

- (a) You shall update and upgrade the POS System as designed by RAKKAN. RAKKAN may require you to enter into a separate maintenance and/or support agreement for your POS System, at any time, at your sole cost and expense;
- (b) You shall record all sales at or from the RAKKAN business at the time of sale, in accordance with RAKKAN’s procedures, on the POS System;
- (c) You shall comply with such requirements determined by RAKKAN, from time-to-time, regarding maintenance, training, storage and safeguarding of data, records, reports, and other matters relative to the POS System; and

- (d) RAKKAN has the right to independently access any and all information on your POS System, at any time, without first notifying you. Without limiting the generality of the foregoing, you shall, at your sole cost and expense, permit RAKKAN immediate access to your POS System, electronically or otherwise, at all times, without prior notice to you. RAKKAN shall have the right to use the information accessed on the POS System in any manner RAKKAN determines, including the right to use any and all such information in RAKKAN's Franchise Disclosure Document, and to share financial statements, including profit and loss statements, with other System franchisees.

RAKKAN MAKES NO WARRANTY OF ANY KIND, WHETHER EXPRESS OR IMPLIED, WITH REGARD TO ANY THIRD PARTY MATERIALS. RAKKAN DISCLAIMS ANY AND ALL WARRANTIES RELATED TO THE COMPUTER SYSTEM, WHETHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, INTEROPERABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, QUIET ENJOYMENT, OR THOSE ARISING FROM TRADE USAGE OR COURSE OF DEALING. RAKKAN DOES NOT WARRANT THAT THE COMPUTER SYSTEM WILL BE FREE FROM DEFECTS OR THAT USE OF THE COMPUTER SYSTEM WILL BE UNINTERRUPTED OR ERROR FREE.

IN NO EVENT WILL RAKKAN BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL SPECIAL OR PUNITIVE DAMAGES (INCLUDING WITHOUT LIMITATION, ANY DAMAGES ASSOCIATED WITH LOSS OF USE, INTERRUPTION OF BUSINESS, LOSS OF DATA OR LOSS OF PROFITS) ARISING OUT OF OR IN ANY WAY RELATED TO THE COMPUTER SYSTEM OR ITS USE.

7.3.9 Data Security

You shall use your best efforts to protect your customers against any and all data breaches and cyber-events, including, without limitation, identity theft or theft of personal information (a "Data Security Breach"). If a Data Security Breach occurs, in the interest of protecting the goodwill associated with the RAKKAN brand and franchise system, RAKKAN hereby reserves the right to (but does not undertake the obligation to) directly or through its designee, perform or control any and all aspects of the response to such Data Security Breach, including, without limitation, the investigation, containment and resolution of the event and all communications with the franchise system, vendors and suppliers, customers, law enforcement agencies, regulatory authorities and the general public. You hereby acknowledge and agree that a Data Security Breach and/or any response to a Data Security Breach may impact operations of the business, including, without limitation, interruption in operations. You hereby acknowledge and agree that neither RAKKAN nor any of its parents, affiliates, subsidiaries, owners, officers, directors, or employees shall be liable to You for any damages arising out of or resulting from any Data Security Breach or any action or inaction in response to a Data Security Breach. You shall at all times be compliant with all Payment Card Industry Data Security Standards, any and all requirements imposed by all applicable payment processors and payment networks, including credit card and debit card

processors, and any and all state and federal laws, rules and regulations relating to data privacy, data security and security breaches. You hereby acknowledge and agree that if RAKKAN engages or designates a third party service provider to administer a data security program, you will be required to comply with the requirements of such service provider. It is your responsibility to ensure that you operate the business at all times in compliance with all aforementioned laws, rules, regulations and requirements and you are strongly encouraged to engage legal, and data security professionals, including insurance providers to ensure your full compliance and adequate protection.

7.4 Management and Personnel

You are not required to devote a minimum number of hours to the management and operation of Your RAKKAN business. However, another employee who has successfully completed RAKKAN initial training program shall be present at the business whenever the RAKKAN business is open for business. You shall maintain, at all times, a staff of competent conscientious and trained employees sufficient to operate the RAKKAN business in compliance with RAKKAN's standards. RAKKAN does not direct or control labor or employment matters for You or Your employees, or for any of RAKKAN's franchisees and/or their employees. RAKKAN may make suggestions and may provide guidance relating to such matters; however it is entirely Your responsibility to determine whether to adopt, follow and/or implement any of our suggestions or guidance. Notwithstanding anything contained in this Agreement to the contrary, mandatory specifications, standards and operating procedures including as set forth in any manual, do not include the terms or conditions of employment for any of your employees, nor do they include mandated or required personnel policies or procedures.

7.5 Advertising

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

7.5.1 Grand Opening

You shall spend at least \$3,000 to \$8,000 on a grand opening advertising program conducted in accordance with the guidelines for such a program in the Manual, in addition to Your regular monthly Local Advertising pursuant to Section 7.6.2 of this Agreement. Such grand opening must occur within two (2) weeks of the opening of Your RAKKAN business.

7.5.2 Local Advertising

You shall spend between one percent (1%) and three percent (3%) of Gross Revenue per month on local marketing, advertising and promotion in such manner as RAKKAN may, in its sole discretion, direct in the Manual or otherwise in writing from time-to-time. Upon RAKKAN's request, You shall provide satisfactory evidence of its local advertising and promotion expenditures in such manner as RAKKAN shall direct in the manual or otherwise in writing from time-to-time.

7.5.3 Brand Fund Contribution

You shall pay to RAKKAN a fee to contribute to the expense of regional advertising, marketing and promotion undertaken by RAKKAN for the benefit of the System in accordance with the manual or as otherwise stated in writing from time-to-time. At present, our Brand Fund Contribution is one percent (1%) of Gross Revenue per month.

7.5.4 Websites

Unless otherwise approved in writing by RAKKAN, You shall not establish a separate Website. However, RAKKAN shall have the right to require that You have one or more references or webpage(s), as designated and approved in advance by RAKKAN, within RAKKAN's principal Website, which is currently www.rakkanramen.com ("Our Website"). The term "Website" means an interactive electronic document contained in a network of computers linked by communications software, commonly referred to as the Internet or World Wide Web, including, but not limited to, any account, page, or other presence on a social or business networking media site, such as Facebook, Twitter, LinkedIn, and on-line blogs and forums ("Networking Media Sites"). RAKKAN shall have the right to require that You not have any Website other than the webpage(s), if any, made available on Our Website.

7.5.4.1 RAKKAN Website

RAKKAN may approve a separate Website for You (which RAKKAN is not obligated to approve; and which approval, if granted, may later be revoked by RAKKAN) subject to the conditions set forth in this Section 7.5.4.1:

- (a) You specifically acknowledge and agree that any Website owned or maintained by or for the benefit of You shall be subject to RAKKAN's prior review and approval;
- (b) Any expenditures by You in connection with any Website shall not count towards fulfilling Your advertising obligations under this Section 7 of the Agreement;
- (c) Before establishing any Website, You shall submit to RAKKAN, for RAKKAN's prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, meta tags) in the form and manner RAKKAN may reasonably require;
- (d) RAKKAN may designate a single vendor or supplier for the purposes of assisting You in creating Your Website;
- (e) If approved, You shall not subsequently modify such Website without RAKKAN's prior written approval as to such proposed modification;
- (f) You shall comply with the standards and specifications for Websites that RAKKAN may periodically prescribe in the Manual or otherwise in writing;

- (g) If required by RAKKAN, You shall establish such hyperlinks to RAKKAN's Website and other Websites as RAKKAN may request in writing; and
- (h) You shall not make any posting or other contribution to a Networking Media Site relating to RAKKAN, the System, the Proprietary Marks, or the Franchised Business that: (i) is derogatory, disparaging, or critical of RAKKAN; (ii) is offensive, inflammatory, or indecent; (iii) harms the goodwill and public image of the System and/or the Proprietary Marks; or (iv) violates RAKKAN's policies relating to the use of Networking Media Sites.

7.5.4.2 Changes to Technology

You 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, You agree that RAKKAN shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and You agree that You shall abide by those reasonable new standards established by RAKKAN as if this Agreement were periodically revised by RAKKAN for that purpose.

7.5.5 Intentionally Blank.

7.5.6 Signs

You shall permanently display, at Your own expense, in Your RAKKAN business and on your vehicle to be used in the operation of the franchised business, RAKKAN signs of any nature, form, color, number, location and size, and containing any legends, that RAKKAN has designated in the Manual or otherwise in writing. RAKKAN has the right to require you to change, modify, update upgrade and/or change any and all signs used in connection with the operation of your RAKKAN business at any time upon written notice to you.

7.5.7 Marketing Materials

All marketing and promotion by You shall be in such media and of such type and format as RAKKAN may approve, shall be conducted in a dignified manner and shall conform to such standards and requirements as RAKKAN may specify. You shall not use any advertising or promotional plans or materials unless and until You have received written approval from RAKKAN. You shall provide satisfactory evidence of Your local advertising and promotion expenditures in such a manner as RAKKAN shall direct in the Manual or otherwise in writing from time-to-time. RAKKAN may make available to You, from time-to-time, at Your expense, such promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials.

7.5.8 Promotions

You acknowledge that periodic rebates, give-a-ways, and other promotions and programs are an integral part of the System. Accordingly, You, at your sole cost and expense, shall, from time-to-

time, issue and offer such rebates, give-a-ways, and promotions, in accordance with any reasonable advertising programs established by RAKKAN, and shall further honor such rebates, give-a-ways, and promotions, issued by RAKKAN, as long as all of the above does not contravene regulations and laws of appropriate government agencies.

7.5.9 Telephone Directories

You shall, at your sole expense, obtain listings in the white and yellow pages of local telephone directories. You shall comply with RAKKAN's specifications concerning the form and size of such listings, and the number of directories in which such listings will be placed. Additionally, You are required to obtain listings and/or advertise with RAKKAN and other franchisees of the System on electronic yellow pages directories and other online directories as RAKKAN may designate in the Manual or otherwise in writing. RAKKAN reserves the right to place, and subsequently remove or modify, such online listings and advertisements on Your behalf, For any listings or advertisement posted or on behalf of You, You shall promptly pay, upon demand by RAKKAN, Your *pro rata* share of the costs of such listings or advertisements.

7.5.10 Franchise Advisory Council

RAKKAN shall have the right, in its discretion, to require the establishment of a franchise advisory council (the "Advisory Council") in Your Approved Territory. In the event such Advisory Council is established, You shall participate actively in the Advisory Council as RAKKAN designates and participate in all Advisory Council meetings approved by RAKKAN. RAKKAN reserves the right to prepare and amend the governing documents for the Advisory Council from time-to-time, in its sole discretion, at any time. RAKKAN, in its sole discretion, will determine the topic areas to be considered by the Advisory Council. The purpose of the Advisory Council shall include, but is not limited to, exchanging ideas and problem-solving methods, advising RAKKAN on expenditures for system-wide advertising, and coordinating franchisee efforts. Amounts and expenditures may vary from time-to-time due to variations in Advisory Council participation and costs, as determined by the Advisory Council, and as approved by RAKKAN, RAKKAN shall have the right to form, change, or dissolve an Advisory Council at any time in its sole discretion.

7.6 Financial Information

7.6.1 Records

You shall record all sales and all receipts of revenue on individual serial-numbered receipts. Bank Deposits must validate all receipts. You shall retain daily sales reporting forms and accompanying records for at least three (3) years after the date of sale (or for a longer period if required by state or local law). You shall retain all other records and receipts used in the ordinary course of business. You shall furnish all records to RAKKAN upon request.

7.6.2 Reports

You shall submit to RAKKAN, on or before the fifteenth (15th) day following the end of each month, financial reports on the income and expenses of the RAKKAN business in the format

specified in the Manual. You shall also submit to RAKKAN, at the time of filing, copies of all federal state and local income, sales, and property tax returns. RAKKAN will use this data to confirm that You are complying with Your obligations under this Agreement, and to formulate earnings and expense information for possible disclosure to prospective franchisees. In addition to the foregoing, on or before the fifteenth (15th) day following the end of each month, you shall submit proof of payment for any leasehold rental obligations, sales tax, and payroll taxes.

7.7 Insurance

7.7.1 Minimum Insurance Requirements

Before You open the Franchised Business, and throughout the Term, You shall obtain and maintain, at Your sole expense, the following minimum insurance coverages, or such other coverages as We may reasonably require in the Manuals or otherwise in writing:

1. Commercial General Liability Insurance with a minimum combined single limit of \$1,000,000 per occurrence and \$2,000,000 annual aggregate, covering bodily injury, personal injury, advertising injury, and property damage;
2. Property insurance covering “all risk” of direct physical loss or damage to the premises, equipment, supplies, and inventory, with coverage equal to 100% of the replacement cost;
3. Employer Practices Liability Insurance with limits of at least \$1,000,000;
4. Umbrella Liability Insurance with a limit of at least \$1,000,000;
5. Workers’ Compensation and Employer’s Liability Insurance as required by applicable law;
6. Automobile liability insurance for any vehicles used in the operation of the Franchised Business in amounts not less than those required by applicable law;
7. Business Interruption Insurance in an amount sufficient to satisfy Your obligations under this Agreement and any lease for the Franchised Business location for a minimum period of twelve (12) months;
8. Any other insurance that is required by applicable law or that We reasonably require from time to time.

Each insurance policy must name Us and Our affiliates as additional insureds and provide for at least thirty (30) days’ prior written notice to Us of cancellation or material modification. You shall furnish certificates of insurance evidencing the required coverage upon Our request and annually thereafter.

7.7.2 Non-Waiver

Your obligation to obtain and maintain the policy or policies in the amounts specified in the Manual shall not be limited in any way by reason of any insurance that may be maintained by RAKKAN, nor shall Your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 8.5 of this Agreement.

7.7.3 Franchisor Entitled to Recover

All public liability and property damage policies shall contain a provision that RAKKAN, although not named as an insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to RAKKAN or its agents or employees by reason of the negligence of You or your agents or employees.

7.7.4 Certificates of Insurance

Prior to the commencement of any operations under this Agreement, and thereafter at least thirty (30) days prior to the expiration of any policy, You shall deliver to RAKKAN Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given RAKKAN in the event of material alteration to or cancellation of the coverages evidenced by such Certificates.

7.7.5 Right to Procure Insurance

Should You, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time-to-time by RAKKAN in the Manual or otherwise in writing, RAKKAN shall have the right and authority (but not the obligation) to procure and maintain such insurance in Your name and to charge same to You, which charges, together with Our reasonable expenses in so acting, shall be payable by You immediately upon notice. The foregoing remedies shall be in addition to any other remedies RAKKAN may have under this Agreement, or at law or in equity.

7.8 Financial and Legal Responsibility

7.8.1 Compliance with Law

You shall comply with all federal, state and local laws and regulations pertaining directly or indirectly to the RAKKAN business. You shall keep current and legally compliant all licenses, permits, bonds, contracts, and deposits made to or required by any government agency in connection with the operation of the RAKKAN business. You are responsible for compliance with all requirements imposed by applicable law rule, or regulation.

7.8.2 Payment of Indebtedness

You shall pay promptly when due all taxes and debts that You incur in the conduct of Your business. Except in connection with the financing of the initial development of the Business, including your obtainment of any SBA financing, the RAKKAN business and all assets and equipment used in connection with the operation of the RAKKAN business shall remain free and clear of any pledge, mortgage, hypothecation, lien, charge, encumbrance, security interest or purchase right or options unless approved by RAKKAN in writing. The Business revenues, including Gross Revenues and if You are a partnership, corporation, or limited liability company, each of your Owners' interest in the franchisee entity, shall be and remain free and clear of any

pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options, unless approved by RAKKAN in writing.

7.9 Franchised Business Operations

You shall use the Business solely for the operation of the business franchised hereunder; shall keep the Business open and in normal operation for such minimum hours and days as RAKKAN may specify in the Manual or otherwise directs from time-to-time; shall refrain from using or permitting the use of the Business for any other purpose or activity at any time without first obtaining the written consent of RAKKAN; and shall operate the Business in strict conformity with such methods, standards, and specifications as RAKKAN may, from time-to-time, prescribe in the Manual or otherwise in writing. You shall refrain from deviating from such standards, specifications, and procedures without RAKKAN's prior written consent.

8. RELATIONSHIP OF PARTIES

8.1 Interest in Marks and System

You expressly understand and acknowledge that:

- (a) RAKKAN (or its affiliate(s)) is the owner of all rights, title and interest in and to the Marks and the goodwill associated with and symbolized by them;
- (b) The Marks are valid and serve to identify the System and those who are authorized to operate under the System;
- (c) Neither You nor any principal of You shall directly or indirectly contest the validity of RAKKAN's ownership of the Marks, nor shall You directly or indirectly, seek to register the Marks with any government agency;
- (d) Your use of the Marks does not give You any ownership interest or other interest in or to the Marks, except the licensure granted by this Agreement;
- (e) Any and all goodwill arising from Your use of the Marks shall inure solely and exclusively to RAKKAN's benefit, and upon expiration or termination of this Agreement, and the license herein granted, no monetary amount shall be assigned or attributable to any goodwill associated with Your use of the System or the Marks; and
- (f) The right and license of the Marks granted hereunder to You is non-exclusive, and RAKKAN thus has and retains the rights, among others:
 - i. to use the Marks itself in connection with selling services, products and other;

- ii. to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees;
- iii. to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to You; and
- iv. to, from time-to-time, modify or delete existing Marks upon notice to You. You have absolutely no right to use any specific deleted mark owned or controlled by RAKKAN or its Affiliate.

8.2 Independent Status

It is expressly agreed that the parties intend by this Agreement to establish between you and RAKKAN the relationship of franchisee and franchisor. It is further agreed that you have no authority to create or assume in RAKKAN's name or on RAKKAN's behalf any obligation express or implied or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. Neither you nor RAKKAN is the employer, employee, agent, partner, fiduciary or co-venturer, of or with the other, each being independent. All employees and agents hired or engaged by or working for you will be only the employees or agents of yours and will not, for any purpose be deemed employees or agents of RAKKAN nor subject to RAKKAN's control. RAKKAN has no authority to exercise control over the hiring or termination of your employees, independent contractors, agents or others who work for you, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the brand and the Marks. You shall file your own tax, regulatory and payroll reports with respect to your employees, agents and contractors, and you shall save, indemnify and hold RAKKAN and its parents, affiliates, owners, officers, directors and subsidiaries harmless from any and all liability, costs and expenses, of any nature, that any such party incurs related to these obligations. You shall, in all respects, be an independent contractor and nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint-venturer, joint-employer, partner, employee or servant of the other for any purpose whatsoever. Without limiting the foregoing, You are an independent legal entity and must make this fact clear in Your dealings with suppliers, lessors, government agencies, employees, customers and others. You and RAKKAN are completely separate entities and are not fiduciaries, partners joint-venturers, or agents of the other in any sense, and neither party has the right to bind the other. No act or assistance by either party to the other pursuant to this Agreement may be construed to alter this relationship. You are solely responsible for compliance with all federal, state, and local laws rules and regulations, and for complying with RAKKAN policies, practices, and decisions relating to the operation of the RAKKAN business. You shall rely on Your own knowledge and judgment in making business decisions, subject only to the requirements of this Agreement and the Manual. You may not expressly or implicitly hold Yourself out as an employee, partner, shareholder, member, joint-venturer or representative of RAKKAN, nor may You expressly or implicitly state or suggest that You have the right or power to bind RAKKAN, or to incur any liability on RAKKAN's behalf. You may not use the Trade Name or Marks as part of Your corporate name limited liability company name or limited partnership name. There is no fiduciary duty between You and RAKKAN.

8.3 Display of Disclaimer

You shall conspicuously display a sign that states that “THIS RAKKAN RESTAURANT IS AN INDEPENDENTLY OWNED AND OPERATED FRANCHISED BUSINESS” within each Business, business cards, client/customer agreements, stationery, purchase order forms, invoices, and other documents that You use in Your business dealings with suppliers, government agencies, employees and customers must clearly identify You as an independent legal entity.

8.4 Confidentiality

You acknowledge and agree that the information, ideas, forms, marketing plans and other materials disclosed to You under this Agreement, whether or not included in the Manual, are confidential and proprietary information and trade secrets of RAKKAN. Any and all information, knowledge and techniques which RAKKAN designates as confidential shall be deemed confidential for purposes of this Agreement, except information which You can demonstrate came to Your attention prior to disclosure thereof by RAKKAN or which, at or after the time of disclosure by RAKKAN to You, had become or later becomes a part of the public domain, through publication or communication by others. You agree to maintain the confidentiality of all such material. You may not disclose any such information to any third-party, except to Your employees and agents, as necessary in the regular conduct of the RAKKAN business, and except as authorized in writing by RAKKAN. You shall be responsible for requiring compliance of Your Related Parties and employees with the provisions of this Section. You shall obtain signed Nondisclosure, Nonsolicitation and Noncompetition Agreements, in the form of Exhibit E to this Agreement, from Your Related Parties and employees, and send RAKKAN a copy of each such agreement upon demand.

8.5 Mutual Indemnification

You and your Related Parties agree to indemnify, defend and hold harmless us our affiliates, and our and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the “Indemnified Parties”) against, and to reimburse any one or more of the Indemnified Parties for, all claims obligations, and damages directly or indirectly arising out of or related to your act or omission, the act or omission of any of your Related Parties, employees, agents or representatives, the RAKKAN business’s operation, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those alleged to be caused by the Indemnified Party’s negligence, unless (and then only to the extent that) the claims obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. For purposes of this indemnification, claims include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants , arbitrators, attorneys’ fees, and expert witness fees costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation arbitration or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and

notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third-party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this paragraph. Without limiting the foregoing, if RAKKAN is made a party to a legal proceeding in connection with Your act or omission, RAKKAN may hire counsel to protect its interests and bill You for all costs and expenses incurred by RAKKAN. You shall promptly reimburse RAKKAN for such costs and expenses.

You shall notify RAKKAN immediately when you learn about an infringement or challenge to your use of any Mark, including the RAKKAN mark. RAKKAN will take the action RAKKAN deems appropriate in any such situation. RAKKAN has exclusive control over any proceeding or settlement concerning any of the Marks. You must take all actions that, in the opinion of RAKKAN's counsel, may be advisable to protect and maintain RAKKAN's interests in any proceeding or to otherwise protect and maintain RAKKAN's interests in the Mark. While RAKKAN is not required to defend you against a claim arising from your use of any of the Marks, RAKKAN will indemnify and hold you harmless from all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark provided that (a) your use is and has been in accordance with the terms of this Agreement and such other terms as may be specified by RAKKAN; and (b) you notify us of the proceeding or alleged infringement in a timely manner and you have complied with RAKKAN's directions regarding the proceeding. RAKKAN has the right to control the defense and settlement of any proceeding. RAKKAN will not reimburse you for your expenses and legal fees for separate, independent legal counsel, or for expenses in removing signage or discontinuing your use of any Mark. RAKKAN will not reimburse you for disputes where RAKKAN and/or any of its parents, affiliates, successors or assigns challenges your use of a Mark.

8.6 Covenants

8.6.1 In-Term Covenants

- (a) During the Term, You shall not, directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or entity, own, maintain, operate, engage in, consult with, provide any assistance to, or have any interest (direct or indirect) in a Competitive Business (as defined below).
- (b) You shall not divert or attempt to divert any business, client, or potential client of the RAKKAN business or any other System restaurant to any competitor, by direct or indirect inducement or otherwise, or to do or perform, directly or indirectly, any other act, injurious or prejudicial, to the goodwill associated with the Marks or the System.

The term "Competitive Business" shall mean any and all businesses that are competitive with the RAKKAN business, including, without limitation, any business that operates a fast-casual or restaurant concept offering ramen, Japanese cuisine, noodle dishes, or other similar food and beverage products and services, or any similar food service business.

8.6.2 Post-Term Covenants

You may not, for a continuous, uninterrupted period commencing upon the expiration, transfer or termination of this Agreement (regardless of the cause for termination), and continuing for two (2) years thereafter, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons (including your spouse or any immediate family member, or the spouse or any immediate family member of any personal guarantor of this Agreement), partnership, limited liability company or corporation, own, maintain, operate, engage in, provide any assistance to, or have any interest in, any Competitive Business that is located: (i) at the RAKKAN business; (ii) within twenty-five (25) miles of the RAKKAN business; or (iii) within twenty-five (25) miles of any other System restaurant located then in existence or under construction.

8.6.3 Miscellaneous

You agree that the length of time in Section 8.6.2 will be tolled for any period during which you are in breach of the covenant or any other period during which RAKKAN seeks to enforce this Agreement. The parties agree that the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If any court of competent jurisdiction determined that the geographic limits, time period or line of business defined by this Section 8 (inclusive of all subsections) is unreasonable, the parties agree that such a court of competent jurisdiction may determine an appropriate limitation to accomplish the intent and purpose of this Section and the parties, and each of them, agree to be bound by such determination.

9. TRANSFER OF FRANCHISE

9.1 Franchisor's Right to Transfer

RAKKAN shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of RAKKAN shall become solely responsible for all obligations of RAKKAN under this Agreement from the date of assignment. You shall execute such documents, as RAKKAN may request, that are reasonably necessary to permit RAKKAN to transfer or assign this Agreement and all or any part of its rights or obligations herein.

9.2 Franchisee's Conditional Right to Transfer

You understand and acknowledge that the rights and duties set forth in this Agreement are personal to You, and that RAKKAN has granted this franchise in reliance of Your (or, if You are a corporation, partnership, or limited liability company, your principals) business skill, financial capacity and personal character. Accordingly, neither You nor any immediate or remote successor to any part of Your interest in this Agreement, nor any individual, partnership, limited liability company, corporation or other legal entity, which directly or indirectly owns any interest in You, shall sell, assign, transfer, convey, pledge, encumber, merge or give away (collectively, "transfer") this Agreement, any direct or indirect interest in You, or in all or substantially all of the assets of the Franchise without prior written consent of RAKKAN Any purported assignment or transfer

not having the written consent of RAKKAN, required by Section 9.3, shall be null and void and shall constitute a material breach of this Agreement, for which RAKKAN may immediately terminate without opportunity to cure pursuant to Section 10.2.1 of this Agreement. The foregoing remedies shall be in addition to any other remedies RAKKAN may have under this Agreement or at law or in equity.

9.3 Conditions of Transfer

Franchisee shall notify RAKKAN in writing of any proposed transfer of this Agreement, any direct or indirect interest in You, or in all or substantially all of the assets of RAKKAN business, at least thirty (30) days before such transfer is proposed to take place. RAKKAN shall not unreasonably withhold its consent to any transfer. RAKKAN may, in its sole discretion, require any or all of the following as conditions of its approval:

- (a) That all of Your accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates have been satisfied;
- (b) That You are not in default of any provision of this Agreement, any amendment or addendum hereof or successor hereto, or any other agreement between You and RAKKAN or its affiliates;
- (c) That the transferor shall have executed a general release, in a form prescribed by RAKKAN, of any and all claims against RAKKAN and its affiliates, and their respective officers, directors, agents, shareholders, and employees;
- (d) That the transferor (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as RAKKAN may request) demonstrate to RAKKAN's satisfaction that it meets RAKKAN's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the RAKKAN business (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the RAKKAN business, taking into consideration the purchase price paid by the transferee for the RAKKAN business; and has not operated a business in competition with RAKKAN;
- (e) That (1) at RAKKAN's option, (a) the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as RAKKAN may request) enter into a written assignment, in a form satisfactory to RAKKAN, assuming and agreeing to discharge all of Your obligations under this Agreement, or (b) the transferee(s) execute, for a term ending on the expiration date of this Agreement and with such renewal term(s) as may be provided by this Agreement, the RAKKAN's then-current form of Franchise Agreement and other ancillary agreements as Franchisor may require for the RAKKAN business, which agreements shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, higher royalty fees, advertising contributions, or other fees, and a smaller or modified

Territory, except that the transferee shall not be required to pay any initial franchise fee; and (2) the transferee's principal guaranty the performance of all such obligations in writing in a form satisfactory to RAKKAN;

- (f) That You remain liable for all of the obligations to RAKKAN in connection with the RAKKAN business which arose prior to the effective date of the transfer and execute any and all instruments reasonable requested by RAKKAN to evidence such liability;
- (g) That the transferee (or, if the transferee is a corporation, partnership or limited liability company, a principal of the transferee acceptable to RAKKAN) and the transferee's manager (if transferee or transferee's principal will not manage the RAKKAN business), at the transferee's expense, have successfully completed any training programs then in effect upon such terms and conditions as RAKKAN may reasonably require and pay RAKKAN the then-current training fee;
- (h) RAKKAN approves the terms and conditions of the transfer agreement between transferor and transferee; and
- (i) You pay to RAKKAN a transfer fee of Ten Thousand Dollars (\$10,000).

9.4 Franchisor's Right of First Refusal

If any party holding any direct or indirect interest in this Agreement, in You, or in all or substantially all of the assets of the restaurant desires to accept any bona fide offer from a third party to purchase such interest, You shall notify RAKKAN as provided in Section 9 hereof, and shall provide such information and documentation relating to the offer as RAKKAN may require. RAKKAN shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that RAKKAN intends to purchase the seller's interest on the same terms and conditions offered by the third party. If RAKKAN elects to purchase the seller's interest, closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by RAKKAN. If RAKKAN elects not to purchase the seller's interest, any material change thereafter in the terms of the offer from a third party shall constitute a new offer subject to the same rights of first refusal by RAKKAN as in the case of the third party's initial offer. Failure of RAKKAN to exercise the option afforded by this Section 9 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 9, with respect to a proposed transfer. In the event the consideration, terms and/or conditions offered by a third party are such that RAKKAN may not reasonably be required to furnish the same consideration, terms and/or conditions, then RAKKAN may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser shall be designated by RAKKAN at RAKKAN's expense, and the appraiser's determination shall be binding.

9.5 Death or Mental Incapacity

Upon the death, physical or mental incapacity of any person with an interest in this Agreement, in You, or in all or substantially all of the assets of the Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by RAKKAN within six (6) months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 9, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by RAKKAN within a reasonable time, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement, pursuant to Section 10 hereof.

9.6 Non-Waiver

RAKKAN's consent to a transfer of any interest in this Agreement, in You, or in all or substantially all of the assets of the business, shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of RAKKAN's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

10. TERMINATION OF FRANCHISE

10.1 Termination by Consent of the Parties

This Agreement may be terminated upon the mutual consent of the parties.

10.2 Termination by RAKKAN

10.2.1 Immediate Termination upon Notice of Default

Upon the occurrence of any of the following defaults, RAKKAN may, at its option, terminate this Agreement effective immediately upon written notice to You:

- (a) If You misuse the Trade Name, Marks or the System, or engage in conduct which reflects materially and unfavorably upon the goodwill associated with them, or if You use in the RAKKAN business any names, marks, systems, logotypes or symbols that RAKKAN has not authorized You to use.
- (b) If You have any direct or indirect interest in the ownership or operation of any business other than the RAKKAN business that is confusingly similar to the RAKKAN business or uses the System or Marks, or if You fail to give RAKKAN a signed copy of the Nondisclosure, Nonsolicitation and Noncompetition Agreement, a form of which is attached hereto as Exhibit E for You (or if You are a corporation, all officers and shareholders, or, if You are a partnership, all Your

general partners, or, if You are a limited liability company, all Your members) within ten (10) days after RAKKAN requests it.

- (c) If You attempt to assign or Transfer Your rights under this Agreement in any manner not authorized by this Agreement.
- (d) If You have made any material misrepresentations in connection with the acquisition of a RAKKAN business or to induce RAKKAN to enter into this Agreement.
- (e) If You act without RAKKAN's prior written approval or consent in regard to any matter for which RAKKAN's prior written approval or consent is expressly required by this Agreement.
- (f) If You cease to operate the RAKKAN business, unless (i) operations are suspended for a period of no more than one hundred and eighty (180) days, and (ii) the suspension is caused by fire, condemnation, or other act of God.
- (g) If You fail to permanently correct a breach of this Agreement, or to meet the operational standards stated in the Manual, after being twice requested in writing by RAKKAN to correct a similar breach or meet a similar standard in any twelve (12) months period.
- (h) If a threat or danger to public health or safety results from the construction, maintenance or operation of the RAKKAN business.
- (i) Except as otherwise required by the United States Bankruptcy Code, if You become insolvent, are adjudicated a bankrupt, or file or have filed against You a petition in bankruptcy, reorganization, or similar proceeding.
- (j) If You plead guilty to, plead no contest to, or are convicted of, a felony, a crime involving moral turpitude, or any other crime or offense that RAKKAN believes is reasonably likely to have an adverse effect on the System or Marks, the goodwill associated therewith, or RAKKAN's interest therein.
- (k) If You maintain false books or records, or submit any false reports to RAKKAN.
- (l) If You offer a product or service without RAKKAN's consent, or fail to offer any product or service designated by RAKKAN.

10.2.2 Termination after Five Days' Notice to Cure

RAKKAN may, at its option, terminate this Agreement, effective five (5) days after written notice is given to You, if You fail to make any payment when due under this Agreement or any other agreement between You and RAKKAN.

10.2.3 Termination after Thirty Days' Notice to Cure

Upon the occurrence of any of the following defaults, RAKKAN may, at its option, terminate this Agreement after thirty (30) days' notice to cure:

- (a) If You fail to submit to RAKKAN in a timely manner any information You are required to submit under this Agreement.
- (b) If You fail to begin operation of the RAKKAN business within the time limits as provided in this Agreement, or if You fail to operate your RAKKAN business in accordance with this Agreement and/or the Manual.
- (c) If You default in the performance of any other obligation under this Agreement, or any other agreement with RAKKAN.

Under this Section 10.2.3, RAKKAN may terminate this Agreement only by giving written notice of termination stating the nature of such default to You at least thirty (30) days prior to the effective date of termination; provided, however, that You may avoid termination by immediately initiating a remedy to cure such default, curing it to RAKKAN's satisfaction, and by promptly providing proof thereof to RAKKAN within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to You effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

10.3 Rights and Obligations After Termination or Expiration

Upon termination of this Agreement for any reason, the parties will have the following rights and obligations:

- (a) RAKKAN will have no further obligations under this Agreement.
- (b) You shall give the final accounting for the RAKKAN business, pay RAKKAN within thirty (30) days after termination all payments due to RAKKAN, and return the Manual and any other property belonging to RAKKAN.
- (c) You shall immediately and permanently cease to operate the RAKKAN business. You shall immediately and permanently stop using the Marks or any confusingly similar marks, the System, or any advertising, signs, stationery, or forms that bear identifying marks or colors that might give others the impression that You are operating a RAKKAN business, You shall refrain from any statement or action that

might give others the impression that You are or ever were affiliated with the RAKKAN Franchise Network.

- (d) You shall promptly sign any documents and take any steps that, in the judgment of RAKKAN, are necessary to delete Your listings from classified telephone directories, disconnect, or, at RAKKAN's option, assign the RAKKAN all telephone numbers that have been used in the RAKKAN business, and terminate all other references that indicate You are or ever were affiliated with RAKKAN or a RAKKAN business. By signing this Agreement, You irrevocably appoint RAKKAN as Your attorney-in-fact to take the actions described in this paragraph if You do not do so Yourself within seven (7) days after termination of this Agreement. You further irrevocably assign Your telephone numbers listed on Exhibit A, or hereinafter acquired for the operation of Your RAKKAN business, to RAKKAN.
- (e) You shall maintain all records required by RAKKAN under this Agreement for a period of not less than five (5) years after final payment of any amounts You owe to RAKKAN when this Agreement is terminated (or such longer period as required by applicable law).
- (f) RAKKAN, or its designee, has an option to purchase the business from You, including but not limited to any or all of the physical assets of the RAKKAN business, including its equipment, supplies and inventory, during a period of sixty (60) days following the effective date of termination. If RAKKAN notifies You that it (or its designee) wishes to purchase the assets of the business from You following Termination of this Agreement, You must immediately surrender possession of the RAKKAN business to RAKKAN or Its designee upon demand. RAKKAN or its designee will operate the RAKKAN business at its expense pending determination of the purchase price as set forth below. The equipment, supplies, and inventory will be valued as follows:
 - i. The lower of depreciated value or fair market value of the equipment supplies and inventory; and
 - ii. Depreciated value of other tangible personal property calculated on the straight-line method over a five (5) year life, less any liens or encumbrances.

RAKKAN must send written notice to You within thirty (30) days after termination of this Agreement of its (or its designee's) election to exercise the option to purchase. If the parties do not agree on a price within the option period, the option period may be extended for up to fifteen (15) business days to permit appraisal by an independent appraiser who is mutually satisfactory to the parties. If the parties fail to agree upon an appraiser within the specified period, each will appoint an appraiser and the two appraisers thus appointed must agree on a third appraiser within ninety (90) days after termination who must determine the price for the

physical assets of the RAKKAN business in accordance with the standards specified above. This determination will be final and binding upon both RAKKAN, or RAKKAN's designee, as applicable, and You.

RAKKAN or its designee may exclude from the assets appraised any signs, equipment, inventory, and materials that are not reasonably necessary (in function or quality) to the operation of the RAKKAN business, or that RAKKAN has not approved as meeting RAKKAN's then-current standards, the purchase price determined by the appraisal will reflect such exclusions (the "Purchase Price").

The Purchase Price shall be paid at a closing date not later than ninety (90) days after determination. RAKKAN has the right to offset against the Purchase Price any and all amounts that You or Your Related Parties owe RAKKAN and/or its Related Parties. At closing, You agree to deliver instruments transferring (i) good and marketable title to the assets purchased, free and clear of all liens and encumbrances, with all sales and transfer taxes paid by You (ii) all licenses and permits related to the business which can be assigned, (iii) the leasehold interest in the Approved Location, (iv) a release agreement signed by You and Your Related Parties in a form and substance acceptable to RAKKAN, and (v) such other documentation as we may reasonably request.

- (g) RAKKAN (or its designee) has an option to replace You as lessee under any equipment lease or note for equipment that is used in connection with the RAKKAN business. Upon request by RAKKAN, You shall give RAKKAN or its designee copies of the leases for all equipment used in the RAKKAN business immediately upon termination. Upon request by RAKKAN, You shall allow RAKKAN and/or its designee the opportunity, at a mutually satisfactory time, to inspect the leased equipment. RAKKAN must request the information and access described in this paragraph within fifteen (15) days after termination. It must advise You of its (or its designee's) intention to exercise the option within fifteen (15) days after it has received the information and/or inspected the equipment. RAKKAN or its designee may assume any equipment lease in consideration of its assumption of future obligations under the lease. Upon exercise of this option by RAKKAN or its designees, You shall be fully released and discharged from future rents and other future liabilities under the lease if the terms of the lease permit it, but not from any debts to the lessor that already exist on the date when the option is exercised.
- (h) If RAKKAN declines to exercise the option, purchase, or assume the lease on Your equipment, You may sell it to either another RAKKAN franchisee or, with RAKKAN's prior written approval, You may de-brand the equipment and sell it to a non-franchisee.
- (i) You may not sell, or in any way divulge, the client list of Your RAKKAN business.
- (j) If the premises are leased from a third-party, and if RAKKAN elects, you shall immediately assign your interest in the lease to RAKKAN or its designee and

immediately surrender possession of the premises to RAKKAN. You are and shall remain liable for all of your obligations accruing up to the effective date of any lease agreement.

- (k) Franchisee and its Related Parties shall abide by the post-termination restrictive covenants in Section 8.6 of this Agreement.

10.4 No Limitation of Remedies

No right or remedy conferred upon or reserved to RAKKAN (including as set forth in Section 10.3 above) 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. Nothing herein shall be construed to deprive RAKKAN of the right to recover damages as compensation for lost future profits. Termination of this Agreement will not end any obligation of either party that has come into existence before termination. All obligations of the parties which, by their terms, or by reasonable implication are to be performed in whole or in part after termination, shall survive termination.

11. MISCELLANEOUS PROVISIONS

11.1 Construction of Contract

Section headings in this Agreement are for reference purposes only and will not in any way modify the statements contained in any section of this Agreement. Each word in this Agreement may be considered to include any number or gender that the context requires.

11.2 Governing Law, Venue and Jurisdiction

11.2.1 This Agreement shall take effect upon its acceptance and execution by RAKKAN. Except to the extent governed by the United States Arbitration Act (9 U.S.C. § 1, et seq.), and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C § 1050, et seq.), this Agreement, the franchise, and all claims arising from or in any way related to the relationship between RAKKAN, and/or any of its Related Parties, on the one hand, and you, and any of your owners, guarantors and/or affiliates, on the other hand, shall be interpreted and construed under the laws of the State of California, which laws shall prevail in the event of any conflict of law, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchise, will not apply unless jurisdictional requirements are met independently without reference to this paragraph.

11.2.2 In the event the arbitration clause set forth in Section 11.8 is inapplicable or unenforceable, and subject to RAKKAN's rights, as outlined in Section 11.9, the following provision shall govern: The parties hereby expressly agree that the United States District Court for the Central District of California, or if such court lacks subject matter jurisdiction, the Superior Court of California, Los Angeles County, shall be the exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of or related to, either directly or indirectly, this Agreement, ancillary agreements, or the business relationship between the parties.

The parties further agree that, in the event of such litigation, they will not contest or challenge the jurisdiction or venue of these courts. You acknowledge that this Agreement has been entered into in the State of California and that you are to receive valuable and continuing services emanating from RAKKAN's headquarters in California. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision.

11.3 Notices

The parties to this Agreement shall direct any notices to the other party at the Delivery Address specified below that party's name on the final page of this Agreement, or at another address if advised in writing that the address has been changed. The parties shall notify each other in writing of any Delivery Address changes. Notices may be delivered by facsimile (with simultaneous mailing of a copy by first class mail), by electronic mail (with simultaneous mailing of a copy by certified mail), courier, federal express, or first class mail. Notice by facsimile and electronic mail will be considered delivered upon submission, by courier, upon delivery, and by certified mail three days after posting. Any notice by a means which affords the sender evidence of delivery or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

11.4 Amendments

This Agreement may be amended only by a document signed by all of the parties to this Agreement or by their authorized agents.

11.5 No Waivers

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

11.6 Integration

This Agreement and all exhibits to this Agreement, constitute the entire agreement between the parties. This Agreement supersedes any and all prior negotiations, understandings representations and agreements. No representations have induced You to execute this Agreement with RAKKAN Except for those permitted to be made unilaterally by RAKKAN 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.

Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require You to waive reliance on any representation that RAKKAN made in the most recent disclosure document (including its exhibits and amendments) (the "FDD") that RAKKAN delivered to You or your

Your representative, subject to any agreed-upon changes to the contract terms and conditions described in that disclosure document and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement).

You acknowledge that you are entering into this Agreement as a result of your own independent investigation and not as a result of any representations (with the exception of those representations made in the FDD) made by RAKKAN, its members, managers, officers, directors, employees, agents, representatives or independent contractors that are contrary to the terms set forth in this Agreement. You acknowledge that the FDD you received contained a copy of this Franchise Agreement and that you reviewed the FDD and Franchise Agreement at least fourteen (14) days (or such other time as applicable law requires) before you signed this Agreement. You further understand acknowledge and agree that any information you obtain from any RAKKAN franchisee, including relating to their sales, profit, cash flows, and/or expenses, does not constitute information obtained from RAKKAN, nor does RAKKAN make any representation as to the accuracy of any such information.

Nothing in the agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

11.7 Negotiation and Mediation

11.7.1 Agreement to Use Procedure

The parties have reached this Agreement in good faith and in the belief that it is mutually advantageous to them. In the same spirit of cooperation, they pledge to try to resolve any dispute without litigation or arbitration. Other than an action by RAKKAN under Section 11.9 of this Agreement, the parties agree that if any dispute arises between them, before beginning any legal action or arbitration to interpret or enforce this Agreement, they will first follow the procedures described in this section. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any legal action or arbitration to interpret or enforce this Agreement.

11.7.2 Initiation of Procedures

The party that initiates these procedures (“Initiating Party”) must give written notice to the other party, describing in general terms the nature of the dispute, specifying the Initiating Party’s claim for relief including the damages sought, and identifying one or more persons with authority to settle the dispute for him, her, or it. The party receiving the notice (“Responding Party”) has seven (7) days within which to designate by written notice to the Initiating Party one or more persons with authority to settle the dispute on the Responding Party’s behalf (the “Authorized Persons”).

11.7.3 Direct Negotiations

The Authorized Persons may investigate the dispute as they consider appropriate but agree to meet in-person at a location designated by RAKKAN within seven (7) days from the date of the designation of Authorized Persons to discuss resolution of the dispute. The Authorized Persons

may meet at any times and places, and as often as they agree. If the dispute has not been resolved within ten (10) days after their initial meeting, either party may begin mediation procedures by giving written notice to the other party that it is doing so.

11.7.4 Selection of Mediator

The Authorized Persons will have seven (7) days from the date on which one party gives notice that he, she or it is beginning mediation within which to submit to one another written lists of acceptable mediators who are not associated with either of the parties. Within seven (7) days from the date of receipt of any list, the Authorized Persons must rank all the mediators in numerical order of preference and exchange the rankings. If one or more names are on both lists, the highest ranking one of these will be designated the mediator. If this process does not result in selection of a mediator, the parties agree jointly to request the arbitral organization designated in Section 11.8 to supply a list of qualified potential mediators. Within seven (7) days after receipt of the list, the parties must again rank the proposed mediators in numerical order of preference and must simultaneously exchange their lists. The mediator having the highest combined ranking shall be appointed as mediator. If the highest ranking mediator is not available to serve, the parties must go on to contact the mediator who was next highest in ranking until they are able to select a mediator.

11.7.5 Time and Place for Mediation

In consultation with the parties, the mediator shall promptly designate a mutually acceptable time and place for the mediation. Unless circumstances make it impossible, the time may not be later than thirty (30) days after selection of the mediator.

11.7.6 Exchange of Information

If either party to this Agreement believes he, she, or it needs information in the possession of another party to this Agreement to prepare for the mediation, all parties must attempt in good faith to agree on procedures for an exchange of information, with the help of the mediator, if required.

11.7.7 Summary of Views

At least seven (7) days before the first scheduled mediation session, each party must deliver to the mediator, and to the other party, a concise written summary of its views on the matter in dispute and on any other matters that the mediator asks them to include. The mediator may also request that each party submit a confidential paper on relevant legal issues, which may be limited in length by the mediator, to him or her.

11.7.8 Representatives

In the mediation, each party must be represented by an Authorized Person, who must physically attend mediation, and may be represented by counsel. In addition, each party may, with permission of the mediator, bring with him, her or it any additional persons who are needed to respond to questions, contribute information, and participate in the negotiations.

11.7.9 Conduct of Mediation

The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful, after reviewing the position papers, the mediator shall give both himself or herself and the Authorized Persons an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator shall assist the Authorized Persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties.

All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party. The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all possible.

11.7.10 Termination of Procedure

The parties agree to participate in the mediation procedure to its conclusion as set forth in this section. The mediation may be concluded (1) by the signing of a settlement agreement by the parties, (2) by the mediator's declaration that the mediation is terminated, or (3) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

11.7.11 Fees of Mediator, Disqualification

The fees and expenses of the mediator must be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute, or any related or similar matter in which either of the parties is involved.

11.7.12 Confidentiality

The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct statement, promise, offer, view or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator, is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible will not be excluded from discovery or made inadmissible simply because of its use in the mediation.

11.8 Arbitration

Except as provided in Section 11.9, and if not resolved by the negotiation and mediation procedures described in Section 11.7 above, any dispute, controversy, or claim between you and/or any of your Related Parties, on the one hand, and RAKKAN and/or any of RAKKAN's Related Parties, on the other hand, including, without limitation, any dispute, controversy, or claim arising under, out of in connection with or related to: (a) this Agreement; (b) the relationship of the parties; (c) the events leading up to the execution of this Agreement; (d) any loan or other finance arrangement between you and RAKKAN or its Related Parties; (e) the parties' relationship; (f) any System standard; (g) any claim based in tort or any theory of negligence; and/or (j) the scope or validity of the arbitration obligation under this Agreement, shall be determined in Los Angeles County, California, by the American Arbitration Association ("AAA"). This arbitration clause will not deprive RAKKAN of any right it may otherwise have to seek provisional injunctive relief from a court of competent jurisdiction.

11.8.1 The arbitration will be administered by the AAA pursuant to its Commercial Arbitration Rules then in effect by one (1) arbitrator. The arbitrator shall be an attorney with substantial experience in franchise law. If proper notice of any hearing has been given, the arbitrator will have full power to proceed to take evidence or to perform any other acts necessary to arbitrate the matter in the absence of any party who fails to appear.

11.8.2 In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be forever barred.

11.8.3 Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action, associational action, or otherwise to join or consolidate any claim with any claim or any other proceeding involving third-parties. If a court or arbitrator determines that this limitation on joinder of, or class action certification of claims is unenforceable then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts in accordance with Section 11.8. The arbitration must take place in Los Angeles County, California, or at such other location as RAKKAN designates.

11.8.4 The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or RAKKAN. The arbitrator may not, under any circumstance, (a) stay the effectiveness of any pending termination of this Agreement, (b) assess punitive or exemplary damages, (c) certify a class or a consolidated action, or (d) make any award which extends, modifies or suspends any lawful term of this Agreement, or any reasonable standard of business performance that RAKKAN sets. The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which the main office of RAKKAN is located. The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to, any decision as to whether Section 11.8 is applicable and

enforceable as against the parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

11.8.5 The arbitrator can issue summary orders disposing of all or part of a claim, and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

11.8.6 The arbitrator will have subpoena powers limited only by the laws of the State of California.

11.8.7 The parties ask that the arbitrator limit discovery to the greatest extent possible consistent with basic fairness in order to minimize the time and expense of arbitration. The parties to the dispute will otherwise have the same discovery rights as are available in civil actions under the laws of the State of California.

11.8.8 All other procedural matters will be determined by applying the statutory common laws and rules of procedure that control a court of competent jurisdiction in the state of California.

11.8.9 Other than as may be required by law, the entire arbitration proceedings (including but not limited to, any rulings, decisions or orders of the arbitrator), will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.

11.8.10 The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

11.8.11 RAKKAN reserves the right, but has no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished RAKKAN's right to seek recovery of those costs against you.

11.8.12 The Arbitrator shall render a reasoned award unless otherwise requested by the parties. If RAKKAN requests a more detailed award, i.e. "findings of fact and conclusions of law," the parties shall evenly split the excess cost above the cost required for a reasoned award. However, if You request an award more detailed than a reasoned award, i.e. "findings of facts and conclusions of law," You shall bear the entire additional cost required for such award, which cost is above the cost for a reasoned award.

11.8.13 Should RAKKAN prevail in any arbitration, the Arbitrator shall require You to pay all expenses of Arbitration, as well as RAKKAN's attorneys' fees and costs.

11.9 Exceptions to Arbitration and Mediation

11.9.1 Notwithstanding the provisions of Sections 11.7 and 11.8 of this Agreement, RAKKAN shall be entitled, with a bond of not more than \$10,000, to the entry of temporary, preliminary and permanent injunctions, and orders of specific performance, enforcing the provisions of this Agreement in any court of competent jurisdiction relating to: (a) Your, and/or any of Your Related Party's use of the Marks; (b) Your confidentiality and non-competition covenants (Section 8); (c) Your obligations upon termination or expiration of the franchise; or (d) Transfer or assignment by You. If RAKKAN secures any such injunction (i.e. temporary restraining order, preliminary injunction, or permanent injunction) or order of specific performance, you agree to pay to RAKKAN an amount equal to the aggregate of RAKKAN's costs of obtaining such relief including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and any damages incurred by RAKKAN as a result of the breach of any such provision.

11.9.2 Further, at the election of RAKKAN or its affiliate, the mediation and arbitration provisions of Sections 11.7 and 11.8, inclusive of all subparts, shall not apply to: (a) any claim by RAKKAN relating to your failure to pay any fee due to RAKKAN under this Agreement; and/or (b) any claim by RAKKAN or its affiliate relating to use of the Proprietary Marks and/or the System, including, without limitation, claims for violations of the Lanham Act; and/or (c) any claim by RAKKAN relating to a breach of your confidentiality and/or non-competition obligations under this Agreement.

11.10 Injunctive Remedy for Breach

You recognize that You are a member of a Franchise Network and that Your acts and omissions may have a positive or negative effect on the success of other businesses operating under RAKKAN's Trade Name and in association with its Marks. Failure on the part of a single franchisee to comply with the terms of its Franchise Agreement is likely to cause irreparable damage to RAKKAN and to some or all of the other franchisees of RAKKAN. For this reason, You agree that if RAKKAN can demonstrate to a court of competent jurisdiction that there is a substantial likelihood of Your breach or threatened breach of any of the terms of this Agreement, RAKKAN will be entitled to an injunction restraining the breach or to a decree of specific performance, without showing or proving any actual damage and without the necessity of posting bond or other security, any bond or other security being waived hereby. Franchisor has the exclusive right to seek relief pursuant to this section in a court of competent jurisdiction as defined in section 11.2.2 of this Agreement or any other court of competent jurisdiction. Notwithstanding, if any Court of competent jurisdiction, as described herein, determines that a bond or other security is required, You agree that you will not seek bond or security in excess of \$10,000 and, in fact, will oppose any effort by a Court to impose a bond or security in excess of \$10,000.

11.11 Limitations of Actions

You may not maintain an arbitration against the Franchisor or its Related Parties unless: (a) You deliver written notice of any claim to the other party within one hundred eighty (180) days after the event complained of becomes known to You, or when you should have known of said event

had you been reasonably diligent; (b) thereafter, You must follow the negotiation and mediation procedures described above; and (c) You file an arbitration within one (1) year after the notice is delivered. While this Section 11.11 may limit the applicable statute of limitations, it is not intended to extend any applicable statute of limitation in any way. The limitations set forth in this Section 11.11 shall not apply to RAKKAN, its affiliates or its Related Parties.

11.12 Attorneys' Fees and Costs

If legal action or arbitration is necessary, including any motion to compel arbitration, or action on appeal, to enforce the terms and conditions of this Agreement, or for violation of this Agreement, RAKKAN will be entitled to recover reasonable compensation for preparation, investigation costs, court costs, arbitral costs, and reasonable accountants, attorneys, attorneys' assistants, and expert witness fees incurred by RAKKAN. Further, if RAKKAN is required to engage legal counsel in connection with any failure by You to comply with this Agreement, You shall reimburse RAKKAN for any of the above-listed costs and expenses incurred by RAKKAN, regardless of whether RAKKAN files or compels mediation, arbitration or litigation.

11.13 Severability

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

11.14 Individual Dispute Resolution – No Class Action or Multi-Party Actions

Any legal action between or among the parties to this Agreement and any of their Related Parties shall be conducted on an individual basis and not on a consolidated or class-wide basis.

11.15 Waiver of Rights

THE PARTIES HERETO AND EACH OF THEM KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY AGREE AS FOLLOWS:

11.15.1 Jury Trial. The parties hereto and each of them EXPRESSLY WAIVE(S) THE RIGHT ANY MAY HAVE TO A TRIAL BY JURY IN ANY ARBITRATION, ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INCLUDING, WITHOUT LIMITATION, FOR ANY CLAIMS RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE NEGOTIATION OF THIS AGREEMENT, THE EVENTS LEADING UP TO THE SIGNING OF THIS AGREEMENT, OR THE BUSINESS RELATIONSHIP RELATING

TO THIS AGREEMENT OR THE FRANCHISE, WHETHER BROUGHT IN STATE OR FEDERAL COURT, WHETHER BASED IN CONTRACT THEORY, NEGLIGENCE OR TORT, AND REGARDLESS OF WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provision in Section 11.8 is unenforceable. Each party acknowledges that it has had full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

11.15.2 Damages Waiver. The parties hereto and each of them EXPRESSLY WAIVE(S) ANY CLAIM FOR PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES, *except that* this waiver and limitation shall not apply with respect to (a) your obligation to indemnify RAKKAN pursuant to any provision of this Agreement, and/or (b) any claims RAKKAN brings against you and/or your guarantors for unauthorized use of the Marks, unauthorized use or disclosure of any Confidential Information, unfair competition, breach of the non-competition covenant and any other cause of action under the Lanham Act and RAKKAN shall be entitled to receive an award of multiple damages, attorneys' fees and all damages as provided by law.

11.15.3 The parties hereto and each of them EXPRESSLY AGREE(S) THAT IN THE EVENT OF ANY FINAL DETERMINATION ADJUDICATION OR APPLICABLE ENACTMENT OF LAW THAT PUNITIVE MULTIPLE AND/OR EXEMPLARY DAMAGES MAY NOT BE WAIVED, ANY RECOVERY BY ANY PARTY IN ANY ARBITRATION OR OTHER FORUM SHALL NEVER EXCEED TWO (2) TIMES ACTUAL DAMAGES, *except that* RAKKAN may recover more than two (2) times its actual damages if you commit acts of willful trademark infringement or otherwise violate the Lanham Act, as provided by law.

11.15.4. You hereby expressly waive any and all rights, actions or claims for relief under the Federal Act entitled "Racketeer Influenced and Corrupt Organizations," 18 U.S.C. § 1961, *et seq.* ("RICO").

11.15.5 You hereby expressly agree that the existence of any claims You may have against RAKKAN or its Related Parties, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by RAKKAN of the covenants contained in this Agreement. You agree to pay all costs and expenses, including reasonable attorneys' fees, incurred by RAKKAN in connection with the enforcement of any covenant contained in this Agreement.

11.16 Approval and Guaranty Provision

If You are a corporation, all officers and shareholders, or, if You are a partnership, all Your general partners, or, if You are a limited liability company, all Your members, shall approve this Agreement, permit You to furnish the financial information required by RAKKAN, and agree to the restrictions placed on them including restrictions on the transferability of their interests in the franchise and the RAKKAN business and limitations on their rights to compete, and sign separately a Guaranty, guaranteeing Your payments and performance. Where required to satisfy our standards of creditworthiness, or to secure the obligations made under this Agreement, Your

spouse or the spouses of Your Related Parties, may be asked to sign the Guaranty. Our form of Guaranty appears as Exhibit C to this Agreement.

11.17 Acceptance by RAKKAN

This Agreement will not be binding on RAKKAN unless and until an authorized management officer of RAKKAN has signed it.

11.18 Disclaimer of Representations

NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US EXCEPT OUR AUTHORIZED MANAGEMENT OFFICER BY A WRITTEN DOCUMENT. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY US OR ON OUR BEHALF WHICH HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE. YOU UNDERSTAND THAT RAKKAN IS NOT A FIDUCIARY AND HAS NO SPECIAL RESPONSIBILITIES BEYOND THE NORMAL RESPONSIBILITIES OF A SELLER IN A BUSINESS TRANSACTION.

11.19 Receipt

The undersigned acknowledges receipt of this Agreement and the Franchise Disclosure Document, with exhibits, at least fourteen (14) calendar days (unless otherwise required by applicable law) before execution of this Agreement or Your payment of any monies to us refundable or otherwise.

11.20 Opportunity for Review by Your Advisors

You acknowledge that we have recommended, and that You have had the opportunity to obtain a review of this Agreement, and our Franchise Disclosure Document, by Your lawyer, accountant or other business advisor before execution hereof.

11.21 Execution of Agreements

Each of the undersigned parties warrants that it has the full authority to sign this Agreement. If You are a partnership, limited liability company or corporation, the person executing this agreement on behalf of such partnership, limited liability company or corporation warrants to us, both individually and in his capacity as partner member, manager or officer, that all of the partners of the partnership all of the members or managers of the limited liability company, or all of the shareholders of the corporation, as applicable, have read and approved this Agreement, including

any restrictions which this Agreement places upon rights to transfer their interest in the partnership limited liability company or corporation.

11.22 Independent Investigation

You acknowledge that You have conducted an independent investigation of the franchised business contemplated by this Agreement and recognize that it involves business risks which make the success of the venture largely dependent upon Your business abilities and efforts. You acknowledge that You have been given the opportunity to clarify any provision of this Agreement that You may not have initially understood and that we have advised You to have this Agreement reviewed by an attorney.

11.23 No Guarantee of Earnings

You understand that neither RAKKAN nor any of our representatives and/or agents with whom You have met have made and are not making any guarantees express or implied, as to the extent of Your success in Your franchised business, and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with Your franchised business.

11.24 No Personal Liability

You agree that fulfillment of any and all of our obligations written in this Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be RAKKAN's sole responsibility and none of its agents, representatives, nor any individuals associated with it shall be personally liable to You for any reason

11.25 Non-Uniform Agreements

RAKKAN makes no representations or warranties that all other agreements with RAKKAN System franchisees entered into before or after the Effective Date do or will contain terms substantially similar to those contained in this Agreement. You recognize, acknowledge and agree that RAKKAN may waive or modify comparable provisions of other Franchise Agreements granted to other System franchisees in a non-uniform manner.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS TO THE PROVISIONS OF THIS FRANCHISE AGREEMENT, the undersigned have signed this Agreement on the date set forth in Section 1 hereof.

FRANCHISOR:

RAKKAN USA FRANCHISE, LLC.
doing business as RAKKAN

By: _____
Name: _____
Title: _____
Date: _____

Delivery Addresses for Notices:

RAKKAN USA Franchise, LLC.
1025 W. 190th Street, Suite 218
Gardena, California 90248

Evan M. Goldman, Esquire
The Franchise Firm LLP
225 Wilmington West Chester Pike, Suite 200
Chadds Ford, Pennsylvania 19317

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

Delivery Address for Notices:

EXHIBIT A TO RAKKAN FRANCHISE AGREEMENT

FRANCHISE DATA SHEET

1. The Effective Date set forth in the introductory Paragraph of the Franchise Agreement is: _____, 20__.

2. The Franchise Owner set forth in the introductory Paragraph of the Franchise Agreement is: _____.

3. The address for notice and payments to Franchise Owner under Section 11.3 of the Franchise Agreement is:

4. You Approved Location is located at:

5. Your Approved Territory is the following geographic area:

If map is attached, check here: _____

6. You have elected to purchase the following license type:

EXHIBIT B TO RAKKAN FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchise: _____

Trade Name (if different than above): _____

Form of Ownership
(Check One)

Individual Partnership Corporation Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: _____

Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners:

Name	Title	Percentage

Principal Manager. The following individual is hereby designated the “Principal” of the Franchise business. RAKKAN USA Franchise, LLC, and all of its vendors, suppliers, and associates may rely entirely on instructions from said Principal on behalf of the aforesaid franchise, to the exclusion of, and overriding, instructions from anyone else purporting to represent the franchise. The only accepted method to change the identification of the Principal is to produce a signed statement to that effect, signed by 100% of the owners of the Franchise.

Name of Principal: _____

Franchisee acknowledges that this Statement of Ownership applies to the RAKKAN Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must reported to Franchisor in writing.

FRANCHISEE:

Business Entity Name (if any):

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT C TO RAKKAN FRANCHISE AGREEMENT

PRINCIPAL OWNER'S GUARANTY

This Guaranty must be signed by each of the principal owners, and their spouses, (referred to as “you” or “your” for purposes of this Guaranty only) of _____ (the “Business Entity”) under the Franchise Agreement dated _____ (the “Agreement”) with RAKKAN USA Franchise, LLC, a California limited liability company (“we,” “us,” or “our”).

1. **Incorporation of Terms.** Each term of the Agreement is incorporated into this Guaranty.

2. **Guaranty.** In consideration of and as an inducement to us signing and delivering the Agreement, each of you signing this Guaranty personally and unconditionally: guarantee to us and our successors and assigns that (a) the Business Entity will punctually pay and perform every obligation and obey every restriction and covenant set forth in the Agreement and (b) each of you agrees to be personally bound by, and personally liable for the breach of, each and every obligation, restriction and covenant in the Agreement.

3. **Payment.** If the Business Entity fails to make any payment when due or otherwise defaults under any of the terms of the Agreement, immediately upon demand, you will pay to us the full amount owed, plus any interest or penalty allowed under the Agreement. All payments are made without set-off, deduction or withholding for any reason, and are final and free from any defense, claim or counterclaim of you, except the defense that the Business Entity has paid all obligations in full.

4. **Waivers.** Each of you waives: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

5. **Consents and Agreements.** Each of you consents and agrees that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may periodically grant to the Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will

continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

6. **Enforcement Costs.** If we are required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

7. **Effectiveness.** Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by California law and we may enforce our rights regarding it in the courts of Los Angeles County, California. Each of you irrevocably submits to the jurisdiction and venue of such courts.

Each of you now signs and delivers this Guaranty effective as of the date of the Agreement regardless of the actual date of signature. Each of the undersigned Guarantors represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is not married.

Signature of Each Guarantor	Percentage of Ownership in Franchisee
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

EXHIBIT D TO RAKKAN FRANCHISE AGREEMENT

**SAMPLE GENERAL RELEASE AGREEMENT
WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (“Release”) is made as of _____, 20__ by _____, a(n) _____ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of RAKKAN USA Franchise, LLC, a California limited liability company (“Franchisor,” and together with Releasor, the “Parties”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate a RAKKAN business (as defined in the Agreement);

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, (enter into a successor Franchise Agreement) and Franchisor has consented to such transfer (agreed to enter into a successor Franchise Agreement); and

WHEREAS, as a condition to Franchisor’s consent to the transfer (Franchisee’s ability to enter into a successor Franchise Agreement), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent to the transfer (Franchisor entering into a successor Franchise Agreement), and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, renewals and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, renewals and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had,

whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of California.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorney fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, renewals, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but

this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

IN WITNESS WHEREOF Releasor has executed this Release as of the date first written above.

Dated: _____, 20__

FRANCHISEE:

By: _____

Title: _____

FRANCHISEE'S OWNERS:

Date: _____

Signature

Print Name

EXHIBIT E TO RAKKAN FRANCHISE AGREEMENT

NONDISCLOSURE, NONSOLICITATION AND NONCOMPETITION AGREEMENT

This Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of RAKKAN USA Franchise, LLC, a California limited liability company, and its renewals and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions.

“Competitive Business” shall mean any and all businesses that are competitive with the RAKKAN business, including, without limitation, any (a) business that operates a fast-casual or restaurant concept offering ramen, Japanese cuisine, noodle dishes, or other similar food and beverage products and services we may require from time to time, (b) business offering Approved Products and Services of a similar nature to those of the Franchised Business, or (c) business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses described in subparts (a)-(c) of this Section. Furthermore, the Restricted Parties shall not divert, or attempt to divert, any prospective customer to a Competitive Business in any manner.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a RAKKAN business, whether now in existence or created in the future.

“*Franchisee*” means the RAKKAN franchisee for whom you are an officer, director, employee or independent contractor.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a RAKKAN business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a RAKKAN business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a RAKKAN business, including “RAKKAN”, and any other trademarks, service marks or trade names that we designate for use by a RAKKAN business. The term “Marks” also includes any distinctive trade dress used to identify a RAKKAN business, whether now in existence or hereafter created.

“Prohibited Activities” means any or all of the following: (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“Restricted Period” means the two (2) year period after you cease to be a manager of Franchisee’s RAKKAN business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period” means the one (1) year period after you cease to be a manager or officer of Franchisee’s RAKKAN business.

“Restricted Territory” means the geographic area within: (i) a 25 mile radius from Franchisee’s RAKKAN business (and including the address of primary operation); and (ii) a 25 mile radius from all other RAKKAN Business that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a 15 mile radius from Franchisee’s RAKKAN business (and including the premises of the business).

“System” means our system for the establishment, development, operation and management of a RAKKAN business, including Know-how, proprietary programs and products, confidential operations manuals and operating system.

2. **Background.** You are an officer, director, or manager of Franchisee. As a result of this relationship, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. **Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than RAKKAN Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time-to-time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager of Franchisee’s RAKKAN business. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. **Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager of Franchisee's RAKKAN business by engaging in any Prohibited Activities.

5. **Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply regarding a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. **Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (*i.e.*, spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member

7. **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

8. **Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other RAKKAN franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee,

regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. Miscellaneous.

a. If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

b. This Agreement will be governed by, construed and enforced under the laws of California and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

Date: _____

Signature

Print Name

EXHIBIT F TO RAKKAN FRANCHISE AGREEMENT

SAMPLE CONFIDENTIALITY AGREEMENT

This Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of RAKKAN USA Franchise, LLC, a California limited liability company, and its renewals and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. **Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

2.

“RAKKAN business” means a business that operates a fast-casual restaurant offering ramen, Japanese cuisine, noodle dishes, beverages, and related food products, or any similar food service business.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a RAKKAN Business, whether now in existence or created in the future.

“*Franchisee*” means the RAKKAN franchisee for whom you are an officer, director, employee or independent contractor.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a RAKKAN business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a RAKKAN business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a RAKKAN business, including “RAKKAN”, and any other trademarks, service marks or trade names that we designate for use by a RAKKAN business. The term “Marks” also includes any distinctive trade dress used to identify a RAKKAN business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation and management of a RAKKAN business, including Know-How, proprietary programs and products, confidential operations manuals and operating system.

3. **Background.** You are an employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our

System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

4. **Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than RAKKAN Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time-to-time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer an officer, director, employee or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

5. **Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (*i.e.*, spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

6. **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

7. **Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other RAKKAN franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing

of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

8. Miscellaneous.

- a. If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.
- b. This Agreement will be governed by, construed and enforced under the laws of California and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- c. Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date: _____

Signature

Print Name

EXHIBIT G TO RAKKAN FRANCHISE AGREEMENT

SAMPLE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment (“Agreement”) is entered into this ___ day of _____, 20___, between RAKKAN USA Franchise, LLC. (“Franchisor”), _____ (“Former Franchisee”), and _____ (“New Franchisee”).

RECITALS

WHEREAS, Franchisor and Former Franchisee entered into that certain Franchise Agreement dated _____, 20___ (“Franchise Agreement”), in which Franchisor granted Franchisor the right to operate a RAKKAN franchise with a primary operating address of _____ (“Franchised Business”); and

WHEREAS, Former Franchisee desires to assign (“Requested Assignment”) the Franchised Business to New Franchisee from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants, promises and agreements herein contained, the parties hereto covenant, promise and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“Franchisor’s Assignment Fee”).
2. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Franchise Agreement.
3. Termination of Rights to the Franchised Business. The parties acknowledge and agree that all of Former Franchisee’s rights to operate the Franchised Business and rights under the Franchise Agreement are hereby relinquished and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business. Former Franchisee and its owners agree to comply with all of the covenants in the Franchise Agreement that expressly or by implication survive the termination, expiration or transfer of the Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor’s current form of General Release Agreement, which is attached to this Agreement as Attachment A.
4. New Franchise Agreement. New Franchisee shall execute Franchisor’s current form of Franchise Agreement and attachments for the Franchised Business (as

amended by the form of Addendum prescribed by Franchisor, if applicable), which is attached to this Agreement as Attachment B, and any other required contracts for the operation of a RAKKAN franchise as stated in Franchisor's Franchise Disclosure Document.

5. Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three (3) year period following the execution of this Agreement.

6. Acknowledgment by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("Transaction") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of a new Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Franchisee and shall not involve Franchisor.

7. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed or disposed of any interest in the Franchise Agreement or Franchised Business. Buyer hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the new Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

8. Notices. Any notices given under this Agreement shall be in writing and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered.

9. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Franchise Agreement.

10. Affiliate. When used in this Agreement, the term "Affiliate" has the meaning as given in Rule 144 under the Securities Act of 1933.

11. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

12. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed, as of the day and year first above written.

Dated: _____, 20__

FRANCHISOR:

RAKKAN USA FRANCHISE, LLC.

By: _____
Title: _____

FORMER FRANCHISEE:

By: _____
Title: _____

NEW FRANCHISEE:

By: _____
Title: _____

EXHIBIT G TO RAKKAN FRANCHISE AGREEMENT
Attachment A

(INSERT Termination and Release Agreement)

EXHIBIT G TO RAKKAN FRANCHISE AGREEMENT
Attachment B

(INSERT New Franchise Agreement to be Signed)

EXHIBIT H TO RAKKAN FRANCHISE AGREEMENT

LEASE ADDENDUM

This Addendum to Lease, dated _____, 20____, is entered into by and between _____ (“Lessor”), and _____ (“Lessee”).

A. The parties hereto have entered into a certain Lease Agreement, dated _____, 20____, and pertaining to the premises located at _____ (“Lease”).

B. Lessor acknowledges that Lessee intends to operate a RAKKAN franchise from the leased premises (“Premises”), pursuant to a Franchise Agreement (“Franchise Agreement”) with RAKKAN USA Franchise, LLC. (“Franchisor”) under the name “RAKKAN” or other name designated by Franchisor (hereinafter referred to as “Franchised Business” or “Franchise Business”).

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. **Assignment.** Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or its parent, subsidiary, or affiliate (including another franchisee) at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor’s consent in accordance with the Collateral Assignment of Lease attached hereto as Attachment 1. However, no assignment shall be effective until the time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its parent unless and until the Lease is assigned to, and accepted in writing by, Franchisor or its parent, subsidiary or affiliate. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Landlord’s consent in accordance with Section 3(a).

2. **Default and Notice.**

a. In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee’s interest as provided in Paragraph 4(a). Franchisor will have an additional 15 days from the expiration of Lessee’s cure period in which it may exercise the option, but it is not obligated, to cure the default or violation.

b. All notices to Franchisor shall be sent via registered or certified mail, postage prepaid, to the following addresses:

RAKKAN USA Franchise, LLC.
1025 W. 190th Street, Suite 218
Gardena, California 90248

Evan M. Goldman, Esquire
The Franchise Firm LLP
225 Wilmington West Chester Pike, Suite 200
Chadds Ford, Pennsylvania 19317

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

c. Following Franchisor's approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same, during the Term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

3. Termination or Expiration.

a. Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign the Lease to a new franchisee without Landlord's consent and to be fully released from any and all liability to Landlord upon the reassignment, provided the franchisee agrees to assume Lessee's obligations and the Lease.

b. Upon the expiration or termination of either the Lease or the Franchise Agreement, Landlord will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the RAKKAN or RAKKAN trademarks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

4. Consideration; No Liability.

a. Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by Attachment 1.

b. Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

5. **Amendments.** No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

6. **Reaffirmation of Lease.** Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

7. **Beneficiary.** Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and first year written above.

LESSOR:

By: _____
Name: _____
Title: _____
Date: _____

LESSEE:

By: _____
Name: _____
Title: _____
Date: _____

ATTACHMENT 1 TO LEASE ADDENDUM
COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of the ___ day of _____, 20___ (“Effective Date”), the undersigned, _____, (“Assignor”) hereby assigns, transfers and sets over unto RAKKAN USA Franchise, LLC. (“Assignee”) all of Assignor’s right, title and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (“Lease”) regarding the premises located at _____.

This Collateral Assignment of Lease (“Assignment”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain Franchise Agreement for a RAKKAN franchise between Assignee and Assignor (“Franchise Agreement”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in the event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first written above.

[SIGNATURE PAGES TO FOLLOW]

ASSIGNOR:

By: _____

Title: _____

ASSIGNEE:

RAKKAN USA FRANCHISE, LLC.

By: _____

Title: _____

EXHIBIT I TO RAKKAN FRANCHISE AGREEMENT

ACH PAYMENT AGREEMENT

ACCOUNT NAME: _____
CUSTOMER NUMBER: _____
FRANCHISE NAME: _____

AUTHORIZATION AGREEMENT FOR ACH Payments:

(I/we) do hereby authorize RAKKAN USA Franchise, LLC, hereinafter named the “Franchisor”, to initiate (debit or credit) entries to (my/our) (Checking Account / Savings Account) as indicated and named below as the depository financial institution, hereafter named FINANCIAL INSTITUTION pursuant to the terms of the Franchise Agreement by and between us and the Franchisor.

(I/we) acknowledge that the origination of ACH transactions to my (my/our) account must comply with the provisions of U.S. law. Furthermore, if any such debit(s) should be returned NSF, (I/we) authorize the Franchisor to collect such debit(s) by electronic debit and subsequently collect a returned debit NSF fee of \$75.00 per item by electronic debit from my account identified below. In the event all funds and interests are not received by Franchisor within 15 days from presentment and intended withdrawal from our account by Franchisor, then we will be deemed in default of the Franchise Agreement. We further agree to pay all reasonable costs of collection including but not limited to reasonable attorney’s fees and court costs incurred by Franchisor. I am a duly authorized check signer on the financial institution account identified below, and authorize all of the above as evidenced by my signature below.

CHECK (ACH) INFORMATION ROUTING NUMBER:
ACCOUNT NUMBER: _____
DEPOSITORY NAME: _____
BRANCH: _____
CITY: _____ STATE: _____ ZIP: _____

COMPANY NAME: _____
FIRST NAME/LAST NAME: _____
BILLING ADDRESS: _____
CITY: _____ STATE: _____ ZIP: _____
PHONE NUMBER: _____
CUSTOMER NUMBER: _____
SIGNATURE ON FILE: _____
PHONE OR EMAIL APPROVAL AUTHORIZATION NUMBER: _____

FRANCHISEE: _____
By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT J TO RAKKAN FRANCHISE AGREEMENT

SBA ADDENDUM



ADDENDUM TO FRANCHISE¹ AGREEMENT

THIS ADDENDUM (“Addendum”) is made and entered into on _____, 20____, by and between _____ (“Franchisor”), located at _____, and _____ (“Franchisee”), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20____, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional

¹ While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

renewals) for fair market value.

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee’s real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

Authorized Representative of FRANCHISOR:

By: _____

Print Name: _____

Title: _____

Authorized Representative of FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Note to Parties: This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements

Effective Date: January 1, 2018

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**EXHIBIT B TO RAKKAN USA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (the “Area Development Agreement” or the “Agreement”) is effective on _____, _____ (“Agreement Date”). The parties to this Agreement are RAKKAN USA Franchise, LLC, a California Limited Liability Company, with our principal office located at 1025 W. 190th Street, Suite 218, Gardena, CA 90248 (referred to in this Addendum as “we,” “us” or “our”) and _____, whose principal address is _____ (referred to in this Addendum as “you,” “your” or “Developer”).

INTRODUCTION

Through the expenditure of considerable time and effort, we and our affiliates have developed a distinctive system for the development and operation of businesses that, using our System, Marks and Copyrights, offer and sell the Products and Services we designate or approve (the “RAKKAN Business(es)”). We appoint certain persons who meet our standards and qualifications, and who are willing to undertake special efforts, the rights to own and operate a RAKKAN Business franchise (“Unit Franchises”). Unit Franchises are granted under our Franchise Agreement, a form of which is attached as an exhibit to our Franchise Disclosure Document. In some instances, we appoint certain persons who meet our standards and qualifications and who are willing to undertake special efforts the right to develop and operate one or more RAKKAN Businesses (“Development Businesses”) within a defined geographic area. Individuals or entities granted Unit Franchises are referred to as “Franchisees”. Individuals or entities granted the right to own and operate Area Development Businesses are referred to as “Area Developers.” By signing this Agreement, you are becoming and serving as one of our Area Developers for the operation of a Development Business. The RAKKAN Businesses you will operate are sometimes referred to as “Your Business(es).”

You have applied to own and operate a Development Business. We grant to you the right to operate a Development Business subject to the terms and conditions, promises, representations, warranties and acknowledgements contained in this Addendum. You and we agree as follows:

1. **Development Rights.** If you are in full compliance with all of the provisions of this Agreement and all of the Franchise Agreements referenced in this Agreement, then during the term of this Agreement, we will grant to you a separate “Development Area” for each Unit Franchise under your Development Schedule. Each separate Development Area will be the same as the Site Selection Area for that Unit Franchise under its corresponding Franchise Agreement. A map showing each separate Development Area may be attached as an Exhibit to this Addendum. In case of any variation, the Site Selection Areas in the Franchise Agreements control. During the term of this Agreement, we will not ourselves open or operate or grant to another the right to open or operate a Unit Franchise with a Site in the Development Area. However, the foregoing will not apply to any Unit Franchises that have been previously granted rights, which have Sites or the right to have Sites in the Development Area, or if we or our affiliate(s) currently operate one or more

RAKKAN Businesses at Sites in the Development Area (individually or collectively, “Pre-Existing Sites”). If there are any Pre-Existing Sites in your Development Areas, we will list them on an exhibit to this Agreement.

2. **Development Schedule.** Your Development Schedule is:

Franchise Unit	Franchisee Entity/ Franchise Owner	Agreement Date	Site Selection Date*	Required Opening Date	Date Franchise Fee is Due
Total number of Franchise Units Under Development Addendum:					

This Development Schedule modifies any corresponding dates in each applicable Franchise Agreement. Strict compliance with the Development Schedule is the essence of this Agreement.

3. **Termination of Development Areas.** Each Development Area for each Unit Franchise is terminated on the sooner of when its Site is selected or the required Site Selection Date for that Unit Franchise specified in the Development Schedule. If you fail to comply with the Site Selection requirements in the Franchise Agreement with respect to any Site, the Development Area for that Unit Franchise immediately terminates. Also, if a RAKKAN Business operated by any Unit Franchise under the Development Schedule is permanently closed after having been opened, you agree to develop and open a substitute RAKKAN Business within the original Site Selection Area for that Unit Franchise within 1 year from the date of its closure. We in our sole discretion determine the date of its closure for purposes of establishing such 1 year period.

4. **Termination of Agreement.** This Agreement terminates in its entirety on earlier of (a) the last Site Selection Date specified in in the Development Schedule, (b) the actual selection of the last Site under the Development Schedule, or (c) if terminated due to your breach of this Agreement or any of your Franchise Agreements. In addition, if you are unable to comply with the any Site Selection and/or Opening Date defined in the Development Schedule, we may, in our sole discretion, terminate this Agreement in its entirety, or in part. In case of termination of this Addendum in its entirety, such termination will terminate all development rights in the Development Areas, and terminate the Development Areas and void the Development Schedule. In that instance, the terms of the Franchise Agreements, without regard for this Agreement will control. You are not entitled to any refunds whatsoever if we terminate this Agreement or any Development Area. If for any reason we, in our sole discretion designate one unitary

Development Area for multiple Unit Franchises, or allow any of your Development Areas or Site Selection Areas to overlap, we, in our sole discretion will determine what portion of the Development Area and/or Site Selection Area terminates upon the selection of each Site, or your failure select a Site in compliance with the Franchise Agreement. Any breach of this Agreement by you will also constitute a material breach of the Franchise Agreements and we may, in our sole discretion, do any of the following: terminate this Agreement; terminate any of your Franchise Agreements under which you have not timely and properly elected a Site, or take any other action allowed us in the vent of your breach under any individual or all of your Franchise Agreements.

5. **Rights Retained.** We retain all rights not expressly granted to you under this Agreement. Our reservation of rights is more fully described in your Franchise Agreement. Other than what is expressly granted under this Agreement, we have no obligation to offer you any right of first refusal, or rights to acquire any additional or contiguous Unit Franchises, expansion of any Development Area or Site Selection Areas or any additional Area Development rights whatsoever.

6. **No Successor or Renewal Rights.** You do not have the right to renew this Agreement or your rights under it.

7. **Precedence and Defined Terms.** This Agreement amends, modifies, and supersedes the terms of, and is an integral part of each of the Franchise Agreements indicated in the Development Schedule. Capitalized terms in this Agreement which are not otherwise defined in this Agreement have the same meanings as defined in our form of Franchise Agreement. Except as otherwise indicated in the Agreement, all other terms and conditions of the Franchise Agreements remain unmodified and in full force and effect. Terms of the introduction are integral parts of this Agreement.

FRANCHISOR:

RAKKAN USA FRANCHISE, LLC
doing business as RAKKAN

By: _____
Name: Ryohei Ito
Title: CEO
Date: _____

Delivery Addresses for Notices:

RAKKAN USA Franchise, LLC
1025 W. 190th Street, Suite 218
Gardena, CA 90248
Evan M. Goldman, Esquire
The Franchise Firm LLP
225 Wilmington West Chester Pike, Suite 200
Chadds Ford, Pennsylvania 19317

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

Delivery Address for Notices:

**EXHIBIT C TO RAKKAN USA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FINANCIAL STATEMENTS



USA FRANCHISE, LLC

Independent Auditor's Report and
Financial Statements

December 31, 2025 and 2024



RAKKAN USA FRANCHISE LLC

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Rakkan USA Franchise LLC

Opinion

We have audited the accompanying financial statements of Rakkan USA Franchise LLC (a California Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Rakkan USA Franchise LLC as of December 31, 2025 and 2024, 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 Rakkan USA Franchise LLC 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 these 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 Rakkan USA Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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.

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 Rakkan USA Franchise LLC'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 Rakkan USA Franchise LLC'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.



Fountain Valley, California
March 23, 2026

RAKKAN USA FRANCHISE, LLC

Balance Sheets

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash	\$ 427,414	\$ 371,331
Accounts receivable, net	50,430	42,371
Inventories	35,082	36,218
Total current assets	<u>512,926</u>	<u>449,920</u>
Property and equipment:		
Furniture and fixtures	20,777	20,777
Less: Accumulated depreciation	(14,544)	(10,388)
Net property and equipment	<u>6,233</u>	<u>10,389</u>
Other noncurrent assets		
Due from affiliate	-	400,000
Right-of-use asset for operating lease	117,507	169,425
Security deposit	10,554	10,554
Deferred commission fees	20,050	51,050
Total Other Assets	<u>148,111</u>	<u>631,029</u>
TOTAL ASSETS	<u>\$ 667,270</u>	<u>\$ 1,091,338</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 2,300	\$ -
Accrued expenses	3,500	-
Credit cards payable	28,096	18,141
Deferred revenue, current	33,667	55,000
Gift card payable	16,784	15,172
Current operating lease liabilities	63,672	62,424
Payroll taxes payable	-	2,206
Total current liabilities	<u>148,019</u>	<u>152,943</u>
Long-term liabilities:		
Operating lease liabilities	53,835	107,001
Deferred revenue, non-current	255,999	518,666
Total long-term liabilities	<u>309,834</u>	<u>625,667</u>
TOTAL LIABILITIES	<u>457,853</u>	<u>778,610</u>
MEMBER'S EQUITY	<u>209,417</u>	<u>312,728</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 667,270</u>	<u>\$ 1,091,338</u>

See accompanying notes to financial statements

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RAKKAN USA FRANCHISE, LLC

Statements of Income

For the Years Ended December 31, 2025 and 2024

	2025	2024
REVENUES:		
Franchise fees	\$ 336,000	\$ 47,667
Royalty fees	488,470	517,364
Marketing fees	107,919	-
Product sales	70,872	12,629
Other sales	4,111	1,062
Total revenues	<u>1,007,372</u>	<u>578,722</u>
Cost of sales	<u>54,733</u>	<u>31,286</u>
Gross profit	<u>952,639</u>	<u>547,436</u>
Operating expenses:		
Salaries and wages	320,517	351,872
Legal and professional fees	101,870	39,464
Advertising	79,343	62,410
Rent	41,572	59,543
Office expenses	39,505	39,941
Commission expense	38,900	7,200
Franchisee compensation	33,203	-
Restaurant supplies	32,404	11,764
Payroll taxes	26,095	29,049
Travel	18,587	16,075
Computer and internet expenses	9,605	17,551
Taxes and licenses	6,119	9,160
Employee benefits	4,961	5,508
Depreciation	4,155	4,155
Meals and entertainment	2,671	3,416
Credit loss expense	-	40,000
Total operating expenses	<u>759,507</u>	<u>697,108</u>
Income (loss) from operations	<u>193,132</u>	<u>(149,672)</u>
Other Income (expenses)		
Other income	499	438
Interest expense	(555)	-
Other expense	(779)	-
Vendor rebate	155,192	157,887
Total other income (expenses)	<u>154,357</u>	<u>158,325</u>
Income before income taxes	<u>347,489</u>	<u>8,653</u>
Provision for income taxes	6,800	2,500
NET INCOME	<u><u>\$ 340,689</u></u>	<u><u>\$ 6,153</u></u>

See accompanying notes to financial statements

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RAKKAN USA FRANCHISE, LLC
Statements of Changes in Member's Equity
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Member's equity, beginning of year	\$ 312,728	\$ 306,575
Distributions	(444,000)	-
Net income	340,689	6,153
Member's equity, end of year	<u>\$ 209,417</u>	<u>\$ 312,728</u>

See accompanying notes to financial statements.

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RAKKAN USA FRANCHISE, LLC
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 340,689	\$ 6,153
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Depreciation	4,155	4,155
Changes in assets and liabilities:		
<u>(Increase) decrease in:</u>		
Accounts receivable	(8,058)	42,767
Prepaid expenses	-	-
Inventories	1,136	(27,243)
Deferred commission fees	31,000	7,200
<u>Increase (decrease) in:</u>		
Accounts payable	2,300	(1,220)
Accrued expenses	3,500	-
Credit cards payable	9,955	5,119
Gift card liability	1,612	3,289
Deferred revenue	(284,000)	(47,667)
Payroll taxes payable	(2,206)	48
Net cash provided (used) by operating activities	<u>100,083</u>	<u>(7,399)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to member	(444,000)	-
(Increase) decrease Due from affiliate	400,000	(90,000)
Net cash provided (used) by financing activities	<u>(44,000)</u>	<u>(90,000)</u>
NET INCREASE (DECREASE) IN CASH	56,083	(97,399)
CASH - beginning	371,331	468,730
CASH - ending	\$ 427,414	\$ 371,331
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ 3,300</u>	<u>\$ 1,700</u>

See accompanying notes to financial statements

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RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Rakkan USA Franchise LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

History and Organization – Rakkan USA Franchise, LLC. was organized in California on January 22, 2019 and maintains its corporate office in Los Angeles, California. The Company is a retail food outlet serving ramen (Japanese style noodle) dishes made with various types of broth. Rakkan also serves other dishes and appetizers prepared with proprietary recipes and condiments and ingredients as a standard size full serve restaurant. The Company was organized for the purpose of franchising the authentic Japanese Ramen food outlet. The franchise concept was modeled after the high set of standards developed and implemented at the original Rakkan located in Tokyo, Japan.

Rakkan USA Franchise LLC is engaged in the administration, development, operation, and licensing of businesses that operate the franchise restaurant. As of December 31, 2025, there were 10 operating locations franchised by Rakkan USA Franchise.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

Basis of Accounting – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2025 and 2024.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification – Certain reclassifications have been made to the prior year’s comparative information to conform to the presentation of the current year financial statements. The reclassification have no effect on net income for the prior year.

Concentration of risk – Occasionally the Company maintains cash balances in excess of the FDIC insurance limit of \$250,000. The Company does not believe that it is exposed to significant credit risk as deposits are maintained in high quality financial institutions. At December 31, 2025 and 2024, the Company’s uninsured cash balances totaled \$137,243 and \$100,251, respectively.

Property and equipment – Property and equipment are stated at cost, less accumulated depreciation. The Company depreciates property and equipment over their estimated useful lives on straight-line and accelerated methods of such assets, which range from five to seven years. At December 31, 2025 and 2024, depreciation expense totaled \$4,155 and \$4,155, respectively.

Change in Accounting Standard – The Company adopted FASB ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and all related subsequent amendments thereto. This ASU replaced the incurred loss method of measuring financial assets with an expected loss method, which is referred to as the current expected credit loss (CECL) method. CECL requires an estimate of credit losses over the life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. For the Company, the ASU applies to the measurement of its trade receivables. Trade receivables are presented by using an allowance for credit losses to reduce the receivables balance to the net amount expected to be collected over the lives of the receivables. The Company adopted the new standard using the modified retrospective approach. For the Company, there was no transition adjustment related to the adoption of CECL.

Accounts receivable – Accounts receivable owed to the Company consists of royalty fees resulting from franchise sales. Accounts receivable are presented net of an allowance for credit losses. Interest income is recognized when charged. The allowance for credit losses is estimated based on expected losses, aging of accounts receivable, financial condition of customers, forecasted future economic conditions, and historical experience. Receivables are considered impaired and written-off when they are determined to be uncollectible.

Accounts receivable are considered past due when payments are not received within 30 days of the due date.

Accounts receivable at December, 31, 2025 and 2024 are as follows:

	2025	2024
Accounts receivable	\$ 50,430	\$ 82,371
Allowance for credit losses	-	(40,000)
Accounts receivable, net	<u>\$ 50,430</u>	<u>\$ 42,371</u>

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

Inventories – Inventories consist of food product supplies available for resale and is stated at the lower of cost or market. At December 31, 2025 and 2024, inventories totaled \$35,082 and \$36,218, respectively.

Income Taxes – The Company has elected to be taxed under the provisions of a single-member domestic limited liability company (LLC) of the Internal Revenue Code. Under federal and most state laws, taxes based on income of a single-member LLC is filed to the member’s individual tax return under Schedule C. Accordingly, no provision for current federal income taxes has been recorded in the accompanying financial statements.

California Limited Liabilities Companies (LLC’s) are subject to a \$800 tax for the privilege of doing business in the State. In addition to the annual tax, California imposes an annual fee based on total income from all sources that is reportable to the State.

For the years ended December 31, 2025 and 2024, state income tax expense consists of California annual tax of \$6,800 and \$2,500, respectively.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company’s tax returns. Management has determined that the Company does not have any uncertain tax positions associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company’s tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties and interest as a result of such challenge.

The Company’s income tax filings are subject to examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the federal and state income tax returns have a three-period statute of limitation.

Revenue recognition

The Company’s revenues are comprised of franchise fees and development fees revenue and are accounted for under ASC Topic 606 “Revenue from Contracts with Customers” for revenue recognition related to contracts with customers.

Franchise revenues consist primarily of royalties, contributions to marketing fees, franchise fees and upfront fees from area development agreements (ADA), product sales and other fees.

The Company’s primary performance obligation under the franchise license is granting certain rights to use the Company’s intellectual property, and all other services the Company provides under the ADA and the franchise agreement are highly interrelated and not distinct within the contract, and therefore accounted for as single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Royalties, including franchisee contributions to the marketing and promotion fee, are calculated as a percentage of franchise restaurant sales over the term of the franchise agreement. Initial and renewal franchise fees are payable by the franchisee upon signing and prior to the restaurant opening or at the time of a renewal of an existing franchise agreement. Royalties, inclusive of marketing and promotion fee contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchised sales occur.

Revenue consists of sales of franchises, franchise royalties and fees, and product sales and is recognized as follows:

- **Franchise fees** – The Company collects initial franchise fees when franchise agreements are signed. The Company has determined that the initial franchise services are not distinct from the continuing franchise rights/license or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial franchise fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 10 years.

Franchise fees and development fees, portions of which are collected in advance, are nonrefundable and are recognized in income ratably over the term of the related franchise agreement or recognized upon the termination of the agreement between the Company and the franchisee.

The Company recognizes franchise fee beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were \$336,000 and \$47,667 at December 31, 2025 and 2024, respectively.

- **Royalties** – The Company collects royalties from franchisee based upon a percentage of franchise restaurant gross sales and are recognized in the period the related franchised restaurants' sales occur. Royalties earned at December 31, 2025 and 2024 were \$488,470 and \$517,364, respectively.
- **Marketing fees** – The Company bills and collects marketing fees to cover costs in marketing and advertising used in the operation of the outlet. The Company recognizes marketing fees as revenue when earned. Amounts recognized for marketing fees were \$107,919 and \$-0 at December 31, 2025 and 2024, respectively.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

- **Product sales** – Product sales consist of ramen (Japanese style noodle) dishes with various types of broth, Japanese appetizers, specified condiments and ingredients, and other food products and supplies sold to franchised restaurants and are recognized as revenue upon shipment of the related products to the franchisees. Payments are generally due within 30 days. Product sales earned at December 31, 2025 and 2024 were \$70,872 and \$12,629, respectively.
- **Rebate income** – The Company receives certain percentage from the gross amount of purchases made from various suppliers known as rebate income. Rebate income is recorded and recognized when received. At December 31, 2025 and 2024, rebate income totaled \$155,192 and \$157,887, respectively.

Contract Liabilities/Deferred Revenue – Contract liabilities consist primarily of deferred revenue resulting from initial and renewal franchise fees and area development agreement (“ADA”) fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, and billed in advance of satisfaction of the Company’s performance obligation. The Company classify these contract liabilities as deferred revenue in the balance sheets.

The following table reflects the change in contract liabilities between December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 533,666	\$ 621,333
Revenue recognized during the year	(50,000)	(47,667)
Terminated franchise	(194,000)	(40,000)
New deferred revenue during the year	-	-
Balance at end of year	<u>\$ 289,666</u>	<u>\$ 533,666</u>

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Liabilities/Deferred Revenue

The following table illustrates estimated deferred revenues expected to be recognized as future revenue which is being amortized over the term of the franchise agreement.

Future revenue to be recognized in:	Amount
2026	\$ 33,667
2027	36,000
2028	36,000
2029	36,000
2030	36,000
Thereafter	111,999
Total	\$ 289,666

Cost of sales – Cost of sales includes certain equipment, kitchenware, proprietary ingredients, other related products and accessories and cost of inventory sold during the period. The Company recorded cost of sales of \$54,733 and \$31,286 at December 31, 2025 and 2024, respectively.

Deferred commission fees – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2025 and 2024 were \$20,050 and \$51,050, respectively.

Advertising – Advertising costs are charged to expense as incurred. Advertising costs for the years ended December 31, 2025 and 2024 were \$79,343 and \$62,410, respectively.

Leases – In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which among other things, requires the recognition of right-of-use lease assets and liabilities on the balance sheet of lessees for operating leases, along with the disclosure of key information about leasing arrangements. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for in a manner similar to existing guidance for operating leases (Topic 840). The ASU is effective for fiscal year beginning after December 15, 2021.

The Company entered into a five-year lease for its office space under an operating lease, with base minimum monthly rental amounts of \$4,688. Security deposit for the space was \$10,554. A determination of whether a contract contains a lease is made at the inception of the arrangement.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The office lease includes options to extend the lease for additional two five-years periods. The Company will evaluate the lease to consider the economic and strategic incentives of exercising the renewal options, and how they align with the operating strategy. Therefore, substantially all the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the right-of-use asset and lease liability as the options to extend are not reasonably certain at lease commencement.

The lease liabilities are measured at the lease commencement date and determined using the present value. In determining the present value of lease payments not yet paid, the Company estimates incremental secured borrowing rates corresponding to the maturities of the lease. The Company estimates this rate based on prevailing financial market conditions, comparable company and credit analysis, and management judgement. The lease typically contains rent escalations over the lease term and lease expense is recognized on a straight-line basis over the lease term.

Maturities of lease liabilities are as follows as of December 31, 2025:

	<u>Operating Lease</u>
2026	\$ 63,672
2027	64,944
	-
Total future lease payments	<u>128,616</u>
Less: Imputed interest	<u>(11,109)</u>
Present value of lease liabilities	<u>\$ 117,507</u>

The operating lease liabilities of \$117,507 and \$169,425 as of December 31, 2025 and 2024, respectively, represents the discounted (at a 6.67% estimated incremental borrowing rate) value of the future lease payments. For the years ended December 31, 2025 and 2024, rent expense attributed to the operating lease are \$41,572 and \$59,543, respectively.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short-term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2025 and 2024.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – ACCOUNTS PAYABLE

The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2025 and 2024, the Company had recorded trade payables in the amount of \$2,300 and \$-0, respectively.

NOTE 4 – CREDIT CARDS PAYABLE

The Company has an unsecured bank credit cards with a total limit of \$40,000 and an outstanding balance of \$28,096 and \$18,141 at December 31, 2025 and 2024, respectively. Based on the card usage and outstanding balance, a finance charge is charge to the Company. The finance charge is expensed when incurred.

NOTE 5 – GIFT CARD LIABILITY

The Company is the custodian of a checking account that holds gift card liability on behalf of all gift cards sold at Rakkan Ramen locations. Thus, the gift card account acts as a pass through whereby gift cards sold and redeemed at the restaurant level are credited or debited accordingly. The Company does not sell, redeem, or otherwise interact with gift cards, other than tracking credits and debits to the bank account. The Company therefore will never realize gift cards as income because there was never a transaction taking place between the franchisor and the gift card purchaser. Again, the selling and redeeming of gift cards takes place at the restaurant level and the Company's gift card account acts solely as a pass through whereby individual restaurant locations can pool gift card purchases and redemptions such that gift cards can be redeemed at any location, not just the restaurant where the original gift card was sold. At December 31, 2025 and 2024 gift card liability totaled \$16,784 and \$15,172, respectively.

NOTE 6 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2025 and 2024, the Company had transactions with Rakkan USA Inc (RUI) that operate two restaurants owned by the Company's member. These transactions include the following:

- **Product sales** – The Company sold restaurant supplies and products to affiliated restaurants owned and operated by the Company's member. At December 31, 2025 and 2024, total product sales were \$27,627 and \$-0, respectively.
- **Due from affiliate** – From time to time and in the normal course of business, the Company advanced funds to a related company. These advances are non-interest bearing and due on demand. At December 31, 2025 and 2024, due from affiliate totaled \$-0 and \$400,000, respectively.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 7 – FRANCHISING

Franchise Agreement – In general, the Company updates and/or revises franchise agreements on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee of \$40,000 for a single franchised restaurant.

Under the current standard franchise agreement, each franchisee is required to pay a royalty of 5% of their gross sales. Each restaurant also contributes a certain percentage which may be up to 3% of gross sales to fund national, regional or local, system-wide advertising campaigns. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend at least 1% of their gross sales on local advertising and promotions.

Franchisees are generally granted the right to operate a restaurant in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions; such as a renewal fee of \$5,000. The Company recognizes renewal fees in income on a straight-line basis over the life of the franchise agreement when a renewal agreement becomes effective.

Area Development Agreements (ADA) – A franchisee may enter into an ADA which grant the opportunity to develop restaurants/outlets in a defined territory. The ADA specifies the number of restaurants/outlets to be developed by the franchisee in a designated geographic area and requires the franchisee to meet certain scheduled deadlines for the development and opening of each restaurant/outlet authorized by the ADA. The franchisee must pay a development fee of \$20,000 and sign a separate franchise agreement for each restaurant/outlet developed under the ADA and that franchise agreement governs the franchisee’s right to own and operate Rakkan restaurant/outlet. The development fee per restaurant to-be-developed is paid in full at the time a development agreement is signed for the grant of development rights and is not refundable.

NOTE 8 – SUBSEQUENT EVENTS

Date of management review – The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events that occurred that require additional disclosure. Subsequent events have been evaluated through March 23, 2026, which is the date the financial statements were available to be issued.



USA FRANCHISE, LLC

Independent Auditor's Report and
Financial Statements

December 31, 2024 and 2023



RAKKAN USA FRANCHISE LLC

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Rakkan USA Franchise LLC

Opinion

We have audited the accompanying financial statements of Rakkan USA Franchise LLC (a California Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Rakkan USA Franchise LLC as of December 31, 2024 and 2023, 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 Rakkan USA Franchise LLC 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 these 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 Rakkan USA Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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.

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 Rakkan USA Franchise LLC'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 Rakkan USA Franchise LLC'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.



Fountain Valley, California
March 21, 2025

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RAKKAN USA FRANCHISE, LLC

Balance Sheets

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash	\$ 371,331	\$ 468,730
Accounts receivable, net	42,371	85,138
Inventories	36,218	8,975
Total current assets	<u>449,920</u>	<u>562,843</u>
Property and equipment:		
Furniture and fixtures	20,777	20,777
Less: Accumulated depreciation	<u>(10,388)</u>	<u>(6,233)</u>
Net property and equipment	<u>10,389</u>	<u>14,544</u>
Other noncurrent assets		
Due from affiliate	400,000	310,000
Right-of-use asset for operating lease	169,425	217,189
Security deposit	10,554	10,554
Deferred commission fees	51,050	58,250
Total Other Assets	<u>631,029</u>	<u>595,993</u>
TOTAL ASSETS	<u>\$ 1,091,338</u>	<u>\$ 1,173,380</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable	\$ -	\$ 1,220
Credit cards payable	18,141	13,022
Deferred revenue, current	55,000	51,667
Gift card payable	15,172	11,883
Current operating lease liabilities	62,424	47,764
Payroll taxes payable	2,206	2,158
Total current liabilities	<u>152,943</u>	<u>127,714</u>
Long-term liabilities:		
Operating lease liabilities	107,001	169,425
Deferred revenue, non-current	518,666	569,666
Total long-term liabilities	<u>625,667</u>	<u>739,091</u>
TOTAL LIABILITIES	<u>778,610</u>	<u>866,805</u>
MEMBER'S EQUITY	<u>312,728</u>	<u>306,575</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 1,091,338</u>	<u>\$ 1,173,380</u>

See accompanying notes to financial statements

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RAKKAN USA FRANCHISE, LLC

Statements of Income

For the Years Ended December 31, 2024 and 2023

	2024	2023
REVENUES:		
Franchise fees	\$ 47,667	\$ 29,500
Royalty fees	517,364	365,314
Product sales	12,629	16,349
Other sales	1,062	1,430
Total revenues	<u>578,722</u>	<u>412,593</u>
Cost of sales	<u>31,286</u>	<u>15,153</u>
Gross profit	<u>547,436</u>	<u>397,440</u>
Operating expenses:		
Salaries and wages	351,872	128,235
Advertising	62,410	3,700
Rent	59,543	67,465
Credit loss expense	40,000	-
Office expenses	39,941	28,266
Legal and professional fees	39,464	46,742
Payroll taxes	29,049	11,594
Computer and internet expenses	17,551	8,212
Travel	16,075	31,589
Restaurant supplies	11,764	7,022
Taxes and licenses	9,160	11,701
Commission expense	6,000	6,000
Employee benefits	5,508	-
Depreciation	5,355	4,155
Meals and entertainment	3,416	3,627
Total operating expenses	<u>697,108</u>	<u>358,308</u>
Income (loss) from operations	<u>(149,672)</u>	<u>39,132</u>
Other Income (expenses)		
Other income	438	4,621
Vendor rebate	157,887	164,640
Total other income (expenses)	<u>158,325</u>	<u>169,261</u>
Income before income taxes	<u>8,653</u>	<u>208,393</u>
Provision for income taxes	<u>2,500</u>	<u>1,700</u>
NET INCOME	<u>\$ 6,153</u>	<u>\$ 206,693</u>

See accompanying notes to financial statements

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RAKKAN USA FRANCHISE, LLC
Statements of Changes in Member's Equity
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Member's equity, beginning of year	\$ 306,575	\$ 99,882
Net income	<u>6,153</u>	<u>206,693</u>
Member's equity, end of year	<u>\$ 312,728</u>	<u>\$ 306,575</u>

See accompanying notes to financial statements.

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RAKKAN USA FRANCHISE, LLC
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,153	\$ 206,693
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Depreciation	4,155	4,155
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	42,767	(9,265)
Inventories	(27,243)	15,153
Deferred commission fees	7,200	6,000
Increase (decrease) in:		
Accounts payable	(1,220)	100
Credit cards payable	5,119	9,497
Gift card liability	3,289	4,462
Deferred revenue	(47,667)	10,499
Payroll taxes payable	48	2,158
Net cash provided (used) by operating activities	<u>(7,399)</u>	<u>249,452</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan to affiliate	(90,000)	(310,000)
Net cash provided (used) by financing activities	<u>(90,000)</u>	<u>(310,000)</u>
NET INCREASE (DECREASE) IN CASH	(97,399)	(60,548)
CASH - beginning	468,730	529,278
CASH - ending	<u>\$ 371,331</u>	<u>\$ 468,730</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ 1,700</u>	<u>\$ 1,700</u>

See accompanying notes to financial statements

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RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Rakkkan USA Franchise LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

History and Organization – Rakkkan USA Franchise, LLC. was organized in California on January 22, 2019 and maintains its corporate office in Los Angeles, California. The Company is a retail food outlet serving ramen (Japanese style noodle) dishes made with various types of broth. Rakkkan also serves other dishes and appetizers prepared with proprietary recipes and condiments and ingredients as a standard size full serve restaurant. The Company was organized for the purpose of franchising the authentic Japanese Ramen food outlet. The franchise concept was modeled after the high set of standards developed and implemented at the original Rakkkan located in Tokyo, Japan.

Rakkkan USA Franchise LLC is engaged in the administration, development, operation, and licensing of businesses that operate the franchise restaurant. As of December 31, 2024, there were 14 operating locations franchised by Rakkkan USA Franchise, one of which opened in 2024.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

Basis of Accounting – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2024 and 2023.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Reclassification – Certain reclassifications have been made to the prior year's comparative information to conform to the presentation of the current year financial statements. The reclassification have no effect on net income for the prior year.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risk – Occasionally the Company maintains cash balances in excess of the FDIC insurance limit of \$250,000. The Company does not believe that it is exposed to significant credit risk as deposits are maintained in high quality financial institutions. At December 31, 2024 and 2023, the Company’s uninsured cash balances totaled \$100,251 and \$206,747, respectively.

Property and equipment – Property and equipment are stated at cost, less accumulated depreciation. The Company depreciates property and equipment over their estimated useful lives on straight-line and accelerated methods of such assets, which range from five to seven years. At December 31, 2024 and 2023, depreciation expense totaled \$4,155 and \$4,155, respectively.

Change in Accounting Standard – The Company adopted FASB ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and all related subsequent amendments thereto. This ASU replaced the incurred loss method of measuring financial assets with an expected loss method, which is referred to as the current expected credit loss (CECL) method. CECL requires an estimate of credit losses over the life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. For the Company, the ASU applies to the measurement of its trade receivables. Trade receivables are presented by using an allowance for credit losses to reduce the receivables balance to the net amount expected to be collected over the lives of the receivables. The Company adopted the new standard using the modified retrospective approach. For the Company, there was no transition adjustment related to the adoption of CECL.

Accounts receivable – Accounts receivable owed to the Company consists of royalty fees resulting from franchise sales. Accounts receivable are presented net of an allowance for credit losses. Interest income is recognized when charged. The allowance for credit losses is estimated based on expected losses, aging of accounts receivable, financial condition of customers, forecasted future economic conditions, and historical experience. Receivables are considered impaired and written-off when they are determined to be uncollectible.

Accounts receivable are considered past due when payments are not received within 30 days of the due date.

Accounts receivable at December, 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 82,371	\$ 85,138
Allowance for credit losses	(40,000)	-
Accounts receivable, net	<u>\$ 42,371</u>	<u>\$ 85,138</u>

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

Inventories – Inventories consist of food product supplies available for resale and is stated at the lower of cost or market. At December 31, 2024 and 2023, inventories totaled \$36,218 and \$8,975, respectively.

Income Taxes – The Company has elected to be taxed under the provisions of a single-member domestic limited liability company (LLC) of the Internal Revenue Code. Under federal and most state laws, taxes based on income of a single-member LLC is filed to the member's individual tax return under Schedule C. Accordingly, no provision for current federal income taxes has been recorded in the accompanying financial statements.

California Limited Liabilities Companies (LLC's) are subject to a \$800 tax for the privilege of doing business in the State. In addition to the annual tax, California imposes an annual fee based on total income from all sources that is reportable to the State.

For the years ended December 31, 2024 and 2023, state income tax expense consists of California annual tax of \$2,500 and \$1,700, respectively.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties and interest as a result of such challenge.

The Company's income tax filings are subject to examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the federal and state income tax returns have a three-period statute of limitation.

Revenue recognition

The Company adopted Topic 606 "Revenue from Contracts with Customers" for revenue recognition related to contracts with customers. Under the new guidance, revenue is recognized in accordance with a five-step revenue model, as follows: (i) identifying the contract with the customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. In applying this five-step model, the Company made significant judgements in identifying the promised goods or services in their contracts with franchisees that are distinct, and which represent separate performance obligations, which is satisfied by providing a right to use our intellectual property over the estimated life of the franchise. The Company recognize initial and renewal franchise fees as revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Royalties, including franchisee contributions to the marketing and promotion fee, are calculated as a percentage of franchisee restaurant sales over the term of the franchise agreement. Initial and renewal franchise fees are payable by the franchisee upon signing and prior to the restaurant opening or at the time of a renewal of an existing franchise agreement. Royalties, inclusive of marketing and promotion fee contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchised sales occur.

Revenue consists of sales of franchises, franchise royalties and fees, and product sales and is recognized as follows:

- **Franchise fees** – The Company collects initial franchise fees when franchise agreements are signed. The Company has determined that the initial franchise services are not distinct from the continuing franchise rights/license or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial franchise fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 10 years.

Franchise fees and development fees, portions of which are collected in advance, are nonrefundable and are recognized in income ratably over the term of the related franchise agreement or recognized upon the termination of the agreement between the Company and the franchisee.

The Company recognizes franchise fee beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were \$47,667 and \$29,500 at December 31, 2024 and 2023, respectively.

- **Royalties** – The Company collects royalties from franchisee based upon a percentage of franchise restaurant gross sales and are recognized in the period the related franchised restaurants' sales occur. Royalties earned at December 31, 2024 and 2023 were \$517,364 and \$365,314, respectively.
- **Product sales** – Product sales consist of ramen (Japanese style noodle) dishes with various types of broth, Japanese appetizers, specified condiments and ingredients, and other food products and supplies sold to franchised restaurants and are recognized as revenue upon shipment of the related products to the franchisees. Payments are generally due within 30 days. Product sales earned at December 31, 2024 and 2023 were \$12,629 and \$16,349, respectively.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

- **Rebate income** – The Company receives certain percentage from the gross amount of purchases made from various suppliers known as rebate income. Rebate income is recorded and recognized when received. At December 31, 2024 and 2023, rebate income totaled \$157,887 and \$164,640, respectively.

Contract Liabilities/Deferred Revenue – Contract liabilities consist primarily of deferred revenue resulting from initial and renewal franchise fees and area development agreement (“ADA”) fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, and billed in advance of satisfaction of the Company’s performance obligation. The Company classify these contract liabilities as deferred revenue in the balance sheets.

The following table reflects the change in contract liabilities between December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ 621,333	\$ 610,833
Revenue recognized during the year	(47,667)	(29,500)
Terminated franchise	(40,000)	-
New deferred revenue during the year	-	40,000
Balance at end of year	<u>\$ 533,666</u>	<u>\$ 621,333</u>

Contract Liabilities/Deferred Revenue

The following table illustrates estimated deferred revenues expected to be recognized as future revenue which is being amortized over the term of the franchise agreement.

Future revenue to be recognized in:	<u>Amount</u>
2025	\$ 55,000
2026	60,666
2027	64,000
2028	64,000
2029	64,000
Thereafter	226,000
Total	<u>\$ 533,666</u>

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of sales – Cost of sales includes certain equipment, kitchenware, proprietary ingredients, other related products and accessories and cost of inventory sold during the period. The Company recorded cost of sales of \$31,286 and \$15,153 at December 31, 2024 and 2023, respectively.

Deferred commission fees – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2024 and 2023 were \$51,050 and \$58,250, respectively.

Advertising – Advertising costs are charged to expense as incurred. Advertising costs for the years ended December 31, 2024 and 2023 were \$62,410 and \$3,700, respectively.

Leases – In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which among other things, requires the recognition of right-of-use lease assets and liabilities on the balance sheet of lessees for operating leases, along with the disclosure of key information about leasing arrangements. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for in a manner similar to existing guidance for operating leases (Topic 840). The ASU is effective for fiscal year beginning after December 15, 2021.

The Company entered into a five-year lease for its office space under an operating lease, with base minimum monthly rental amounts of \$4,688. Security deposit for the space was \$10,554. A determination of whether a contract contains a lease is made at the inception of the arrangement.

The office lease includes options to extend the lease for additional two five-years periods. The Company will evaluate the lease to consider the economic and strategic incentives of exercising the renewal options, and how they align with the operating strategy. Therefore, substantially all the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the right-of-use asset and lease liability as the options to extend are not reasonably certain at lease commencement.

The lease liabilities are measured at the lease commencement date and determined using the present value. In determining the present value of lease payments not yet paid, the Company estimates incremental secured borrowing rates corresponding to the maturities of the lease. The Company estimates this rate based on prevailing financial market conditions, comparable company and credit analysis, and management judgement. The lease typically contains rent escalations over the lease term and lease expense is recognized on a straight-line basis over the lease term.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Maturities of lease liabilities are as follows as of December 31, 2024:

	<u>Operating Lease</u>
2025	\$ 62,424
2026	63,672
2027	<u>64,944</u>
Total future lease payments	191,040
Less: Imputed interest	<u>(21,615)</u>
Present value of lease liabilities	<u>\$ 169,425</u>

The operating lease liabilities of \$169,425 and \$217,189 as of December 31, 2024 and 2023, respectively, represents the discounted (at a 6.67% estimated incremental borrowing rate) value of the future lease payments. For the years ended December 31, 2024 and 2023, rent expense attributed to the operating lease are \$59,543 and \$67,465, respectively.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company’s current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short-term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2024 and 2023.

NOTE 3 – ACCOUNTS PAYABLE

The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2024 and 2023, the Company had recorded trade payables in the amount of \$-0 and \$1,220, respectively.

NOTE 4 – CREDIT CARDS PAYABLE

The Company has an unsecured bank credit cards with a total limit of \$10,000 and an outstanding balance of \$18,141 and \$13,022 at December 31, 2024 and 2023, respectively. Based on the card usage and outstanding balance, a finance charge is charge to the Company. The finance charge is expensed when incurred.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 5 – GIFT CARD LIABILITY

The Company is the custodian of a checking account that holds gift card liability on behalf of all gift cards sold at Rakkan Ramen locations. Thus, the gift card account acts as a pass through whereby gift cards sold and redeemed at the restaurant level are credited or debited accordingly. The Company does not sell, redeem, or otherwise interact with gift cards, other than tracking credits and debits to the bank account. The Company therefore will never realize gift cards as income because there was never a transaction taking place between the franchisor and the gift card purchaser. Again, the selling and redeeming of gift cards takes place at the restaurant level and the Company's gift card account acts solely as a pass through whereby individual restaurant locations can pool gift card purchases and redemptions such that gift cards can be redeemed at any location, not just the restaurant where the original gift card was sold. At December 31, 2024 and 2023 gift card liability totaled \$15,172 and \$11,883, respectively.

NOTE 6 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2024 and 2023, the Company had transactions with Rakkan USA Inc (RUI) that operate two restaurants owned by the Company's member. These transactions include the following:

- **Product sales** – The Company sold restaurant supplies and products to affiliated restaurants owned and operated by the Company's member. At December 31, 2024 and 2023, total product sales were \$-0 and \$865, respectively.
- **Cost of sales** – During the years ended December 31, 2024 and 2023, the Company purchased equipment, kitchenware, other related products and accessories from a related parties, a total of \$-0 and \$5,211, respectively.
- **Inventories** – The Company purchased restaurant supplies and other related products from a related party. At December 31, 2024 and 2023, total purchase was \$-0 and \$5,211.
- **Due from affiliate** – From time to time and in the normal course of business, the Company advanced funds to a related company. These advances are non-interest bearing and due on demand. At December 31, 2024 and 2023, due from affiliate totaled \$400,000 and \$310,000, respectively.

RAKKAN USA FRANCHISE LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 7 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee of \$40,000 for a single franchised restaurant. If a franchise has entered into an area development agreement to develop restaurants in a defined market, the development fee is \$20,000 for each restaurant. The development fee per restaurant to-be-developed is paid in full at the time a development agreement is signed for the grant of development rights and is not refundable.

Under the current standard franchise agreement, each franchisee is required to pay a royalty of 5% of their gross sales. Each restaurant also contributes a certain percentage which may be up to 2% of gross sales to fund national, regional or local, system-wide advertising campaigns. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend at least 1% of their gross sales on local advertising and promotions.

Franchisees are generally granted the right to operate a restaurant in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions; such as a renewal fee of \$1,000. The Company recognizes renewal fees in income on a straight-line basis over the life of the franchise agreement when a renewal agreement becomes effective.

NOTE 8 – SUBSEQUENT EVENTS

Date of management review – The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events that occurred that require additional disclosure. Subsequent events have been evaluated through March 21, 2025, which is the date the financial statements were available to be issued.

**EXHIBIT D TO RAKKAN USA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF CURRENT AND FORMER FRANCHISEES

List of Franchised Businesses

STATE	NAME	CITY/AREA	NO. OF OUTLETS	PHONE NO.
California	RJ Food & Beverage LLC, Contact: Tianqiao Xu	Folsom, CA	1	(916) 496-4475
California	HAHA Truckee, LLC, Contact: Aaron Morris	Truckee, CA	1	(530) 214-8612
California	IDC Ramen, Contact: Vy Pham	Anaheim, CA	1	(657) 201-3222
Illinois	Ramen LLC, Contact: Kenny Lau	Chicago, IL	1	(773) 739-9239
Texas	Vondry Enterprises LLC, Contact: Christopher Lav	Houston, TX	2	(346) 867-2078
Texas	ACE Post Oak, LLC, Contact: Christopher Lav	Houston, TX	1	(346) 352-3910
Texas	ACE Westchase LLC, Contact: Christopher Lav	Houston, TX	1	(281) 888-1582
Texas	A & O RK Inc., Contact: Dong Wook Kim	Coppell, TX	1	(972) 803-6352

As of December 31, 2025, the following franchisees signed franchise agreements, but their outlets had not yet opened:

STATE	NAME	CITY/AREA	PHONE NO.
Texas	Yen Tran, Contact: Yen Tran	Dallas, TX	(510) 676-1252
Washington D.C.	DMV Sung Investment Group LLC, Contact: Sara Sung	Washington D.C.	(201) 208-4876

Former Franchisees

The following franchisee ceased operations of one of its RAKKAN Outlets during the 12 months ending December 31, 2025:

STATE	NAME	CITY/AREA	PHONE NO.
California	KN Partners LLC, Contact: Wesley Kim	Tustin, CA	(657) 207-2344
Colorado	HYF, LLC, Contact: Xin Hong Huang	Boulder, CO	(303) 444-0255
Georgia	KYCE Food LLC, Contact: Kazuhiro Tamaki	Johns Creek, GA	(770) 837-3529
Nevada	Embit Restaurants LLC, Contact: Wesley Kim	Las Vegas, NV	(702) 744-8024

Other than the above, no franchisee had an outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during the 12 months ending December 31, 2025.

No franchisee has failed to communicate with us within the 10 weeks ending on the date of this disclosure document.

**EXHIBIT E TO RAKKAN USA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**CONFIDENTIAL OPERATIONS MANUAL
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**EXHIBIT F TO RAKKAN USA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

State Administrators

California

Commissioner of Financial
Protection and Innovation
2101 Arena Boulevard
Sacramento, California 95834
(916) 445-7205
(Toll Free) (866) 275-2677
Ask.DFIP@dfpi.ca.gov
www.dfpi.ca.gov

Hawaii

Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Illinois

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

Indiana

Indiana Chief Deputy Commissioner
Secretary of State
Franchise Section – Securities Division
301 W. Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

Maryland

Office of the Attorney General
Securities Division
2000 Saint Paul Place
Baltimore, Maryland 21202
(410) 576-7044

State Agents for Service of Process

California

Department of Financial
Protection and Innovation
2101 Arena Boulevard
Sacramento, California 95834
Ask.DFIP@dfpi.ca.gov
www.dfpi.ca.gov

Hawaii

Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois

Illinois Franchise Development
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana

Indiana Chief Deputy Commissioner
Secretary of State
Franchise Section – Securities Division
301 W. Washington Street, Room E-111
Indianapolis, Indiana 46204

Maryland

Office of the Attorney General
Securities Division
2000 Saint Paul Place
Baltimore, Maryland 21202

Michigan

Michigan Franchise Administrator
Consumer Protection Division
Attention: Franchise Examiner
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

Minnesota

Minnesota Franchising Examiner
Minnesota Department of Corporations
133 East Seventh Street
St. Paul, Minnesota 55101
(612)295-6328

New York

NYS Department of Law
28 Liberty Street , 21st Floor
New York, New York 10005
(212) 416-8222

North Dakota

North Dakota Securities Department
600 East Boulevard State Capitol
Fifth Floor, Dep't 414
Bismarck, North Dakota 58505
(701) 328-4712

Rhode Island

Rhode Island Securities Examiner
Division of Securities
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9500

South Dakota

South Dakota Franchise Administrator
Division of Securities
Department of Labor & Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605)773-4013

Michigan

Not Applicable

Minnesota

Minnesota Franchising Examiner
Minnesota Department of Corporations
133 East Seventh Street
St. Paul, Minnesota 55101

New York

Secretary of State
99 Washington Avenue
Albany, New York 12231

North Dakota

North Dakota Securities Department
600 East Boulevard State Capitol
Fifth Floor, Dep't 414
Bismarck, North Dakota 58505

Rhode Island

Rhode Island
Department of Business Regulation
Division of Securities
1511 Pontiac Avenue
Cranston, Rhode Island 02920

South Dakota

Director, Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

Virginia

Virginia Chief Examiner
State Corporation Commissioner
Division of Securities and Retail Franchising
1220 Bank Street
Richmond, Virginia 23219
(804)786-7751

Washington

Washington Securities Administrator
Securities Division
P.O. Box 9033
Olympia, Washington 98507
(360)902-8760

Wisconsin

Wisconsin Commissioner of Securities
Registration Division
P.O. Box 1768
Madison, Wisconsin 53101
(608)266-8559

Virginia

Clerk of the State Corporation Commissioner
P.O. Box 1197
Richmond, Virginia 23219

Washington

Director of Licensing
Securities Division
150 Israel Road
Turnwater, Washington 95801

Wisconsin

Wisconsin Commissioner of Securities
Office of the Commissioner of Securities
101 East Wilson Street
Madison, Wisconsin 53702

EXHIBIT G TO RAKKAN USA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE DISCLOSURE QUESTIONNAIRE

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, Rakkan USA Franchise, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of RAKKAN Ramen Business (as defined in this Franchise Disclosure Document). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your Initial Franchise Fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

1. Yes ___ No ___ Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
2. Yes ___ No ___ Have you received and personally reviewed the Franchise Disclosure Document we provided?
3. Yes ___ No ___ Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
4. Yes ___ No ___ Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
5. Yes ___ No ___ Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor or have you had the opportunity for such review and chosen not to engage such professionals?
6. Yes ___ No ___ Have you discussed the benefits and risks of developing and operating a RAKKAN Ramen Business with an existing RAKKAN Ramen franchisee?
7. Yes ___ No ___ Do you understand the risks of developing and operating a RAKKAN Ramen Business?
8. Yes ___ No ___ Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors?

9. Yes ___ No ___ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be litigated, mediated, and/or arbitrated in California, if not resolved informally or by mediation?
10. Yes ___ No ___ Do you understand that you must satisfactorily complete the initial training course before we will allow your restaurant to open or consent to a transfer?
11. Yes ___ No ___ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a RAKKAN Ramen Business, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes ___ No ___ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes ___ No ___ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a RAKKAN Ramen Business will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes ___ No ___ Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the RAKKAN Ramen Business, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?
15. Yes ___ No ___ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE

REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

EXPLANATION OF ANY NEGATIVE RESPONSE
(REFER TO QUESTION NUMBER)

Questionnaire Number	Explanation of Negative Response

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Date: _____

Date: _____

**EXHIBIT H TO RAKKAN USA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

STATE ADDENDA AND AGREEMENT RIDERS

**FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT
STATE LAW ADDENDUM**

California

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.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Our website address is <https://rakkanramen.com>. OUR WEBSITE 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 www.dfpi.ca.gov.

FDD Item 17, FA Sections 4, 9, and 10

(1) California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

(2) 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.).

(3) 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.

(4) You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(5) The Franchise Agreement provides that all issues or disagreements relating to the Franchise Agreement will be mediated, arbitrated, tried, heard and decided in California with the costs being borne by the non-prevailing party. 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.

(6) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner of the Department of Financial Protection and Innovation may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

FDD Item 3

Response to California 10 CCR Section 310.114.1(c)(3): Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

FDD Item 6; Franchise Agreement Section 6.9

Late payment penalties and late charges will not exceed California's legal limit on interest rates, which is currently 10% annually.

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If, for any reason, any provision set forth in the Franchise Agreement (including those related to in-term and post-term covenants against competition and non-disclosure and non-use of confidential information) exceeds any lawful scope or limit as to duration, geographic coverage, specificity, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. Indeed, the parties acknowledge their desire and intent that a court or arbitrator to comply with Georgia law if needed modify such provisions. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

Hawaii

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 REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES 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 OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR 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.

Idaho

FDD Item 17, FA Section 10

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

Illinois

Illinois law governs the Franchise Agreement.

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.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

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.

Minnesota

- Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases)
 - that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and
 - that consent to the transfer of the franchise will not be unreasonably withheld.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

New York

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE

DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies 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 that is 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 ten years 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 the "Summary" sections of Item 17(c), titled "Requirements for a 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; this

proviso intends that the nonwaiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”: “You may terminate the agreement on any grounds available by law.”
5. The following 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 foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--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. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

North Dakota

Item 17(i) of the Disclosure Document and Section 10 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Delete the provision each place it appears in the disclosure document and agreements used in North Dakota.

Item 17(r) of the Disclosure Document and Section 8 of the Franchise Agreement discloses the existence of certain covenants restricting competition to which franchisees must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The following language shall be added to these items: "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota".

Sections 7.3.8, 11.8.4, 11.15.2, and 11.15.3 of the Franchise Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Delete the provision each place it appears in the disclosure document and agreements used in North Dakota.

Section 11.11 of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The provision shall be changed to read the statute of limitations under North Dakota Law will apply.

Virginia

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for RAKKAN USA Franchise, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement or development 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.

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$379,500 to \$865,000. This amount exceeds the franchisor's stockholder's equity as of December 31, 2025, which is \$209,417.

Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, Area Development Agreement, and related agreements

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Area Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

Replace Item 5 of the Franchise Disclosure Document as follows:

The Initial Franchise Fee for the first and each subsequent Outlet you open is \$20,000 and is due and payable in full to us within ten (10) days from satisfaction of our initial obligations to you and the opening of your first Outlet.

The Initial Training Fee for the first Outlet is \$10,000 and is due and payable in full to us within ten (10) days from satisfaction of our initial obligations to you and the opening of your first Outlet. The Initial Training Fee is only required for the first Outlet and is not required for the second and each subsequent Outlet.

You will not be required to pay the Development Fee under the Area Development Agreement.

The Initial Franchise Fee and the Initial Training Fee are fully earned by us when paid and non-refundable.

In the event your General Manager fails to successfully complete the Initial Training, you may either have the General Manager retake the Initial Training or designate one replacement for the Initial Training Program. You will be required to pay us a fee of either \$1,000 for a 5-day or \$2,000 for a 10-day training course when the General Manager retakes the Initial Training. We will determine which course will be appropriate for the General Manager at our sole discretion. When you opt to send a replacement General Manager, a 15-day training course is mandatory, and you will be required to pay us \$3,000 for such replacement Initial Training.

Prior to the opening of your Outlet, we will provide certain kitchenware, the cost of which ranges from \$2,000 to \$4,000. Payments made to us for these items are non-refundable, however we will replace them upon your request in the event any defects are discovered in these items.

If you do not complete the build out of the Outlet in a reasonable time, we may complete the build out for you, in which case you will be required to reimburse us for all expenses we incur in connection with the build out.

Replace Initial Franchise Fee in Item 7 of the Franchise Disclosure Document as follows:

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee ¹	\$20,000	Lump sum; non-refundable	Within 10 days from satisfaction of our initial obligations and opening of the outlet	Us
Initial Training Fee ¹	\$10,000	Lump sum; non-refundable	Within 10 days from satisfaction of our initial obligations and opening of the outlet (First Outlet Only)	Us

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.

Sections 18.1(g) and (h) of the Franchise Agreement do not apply in Washington.

Acknowledgment

The franchisee acknowledges receipt of this Addendum.

It is agreed that the applicable foregoing state/provincial law addendum for the state/province of _____, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State and Provincial Law Addendum provisions for the relevant state/province, have been agreed to at the time the Franchise Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's or province's franchise laws, without considering this addendum.

DATED this ____ day of _____, 20__.

("we/us"): RAKKAN USA FRANCHISE, LLC

("you"):

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT I TO RAKKAN USA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT

State Effective Dates

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

This 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:

<u>State</u>	<u>Effective Date</u>
California	N/A
Hawaii	N/A
Illinois	N/A
Indiana	N/A
Maryland	N/A
Michigan	N/A
Minnesota	N/A
New York	N/A
North Dakota	N/A
Rhode Island	N/A
South Dakota	N/A
Virginia	N/A
Washington	N/A
Wisconsin	N/A

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 J TO RAKKAN USA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

RECEIPT

**RECEIPT
(RETURN ONE COPY TO US)**

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

If Rakkan USA Franchise, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Rakkan USA Franchise, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit F.

The franchisor is Rakkan USA Franchise, LLC, located at 1025 W. 190th Street, Suite 218, Gardena, California 90248. Its telephone number is 424-329-0513.

Issuance Date: March 23, 2026

The name, principal address and telephone number of the franchise seller for this offering is Ryohei Ito, 1025 W. 190th Street, Suite 218, Gardena, California 90248, 424-329-0513.

Rakkan USA Franchise, LLC authorizes the agents listed in Exhibit F to accept service of process for it.

I have received a disclosure document, dated March 23, 2026, that included the following Exhibits:

- A RAKKAN Ramen Franchise Agreement (with exhibits)
- B RAKKAN Ramen Area Development Agreement (with exhibits)
- C Financial Statements
- D List of Current and Former Franchisees
- E Confidential Operations Manual Table of Contents
- F List of State Administrators/Agents for Service of Process
- G Franchise Disclosure Questionnaire
- H State Addenda and Agreement Riders
- I Receipt

Date: _____
(Do Not Leave Blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing, dating and mailing it to Rakkan USA Franchise, LLC, located at 1025 W. 190th Street, Suite 218, Gardena, California 90248, or by emailing a copy of the signed and dated receipt to Rakkan USA Franchise, LLC at franchise@rakkanramen.com.

RECEIPT
(KEEP ONE COPY FOR YOURSELF)

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

If Rakkan USA Franchise, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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- I Receipt

Date: _____
(Do Not Leave Blank)

Signature of Prospective Franchisee

Print Name