FRANCHISE DISCLOSURE DOCUMENT

RAKKAN USA Franchise, LLC

dba RAKKAN Ramen

A California Limited Liability Company
1025 W. 190th St., Suite 160
Gardena, California 90248
(424) 329-0513
E-mail: franchise@rakkanramen.com
URL: http://rakkanramen.com

As a RAKKAN Ramen franchisee you will operate a quick serve restaurant outlet providing a variety of ramen (Japanese style noodle) dishes with various types of broth, Japanese appetizers, specified condiments and ingredients, and other food, beverages and related products.

The total investment necessary to begin operation of a RAKKAN Ramen outlet is $379,500 to $865,000. This includes $32,000 to $34,000 that must be paid to the franchisor. The total investment necessary to begin operation of a RAKKAN Ramen Area Development arrangement is $399,500 to $885,000. This includes $52,000 to $54,000 that must be paid to the franchisor. 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. 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 the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Sales Administrator, Ryohei Ito, at RAKKAN USA Franchise, LLC, 1025 W. 190th St., Suite 160, Gardena, California 90248; telephone (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 your entire contract carefully. Show your contract and this disclosure document to an advisor, such as 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 homepage 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.

The issuance date is **March 20, 2024**.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
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 A 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 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 an RAKKAN franchisee?	Item 20 or Exhibits D and E list 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 Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

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

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

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

RAKKAN USA Franchise, LLC

FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

Item No.	Name	Page
1	The Franchisor, and any Parents, Predecessors and Affiliates	5
2	Business Experience	7
3	Litigation	8
4	Bankruptcy	8
5	Initial Fees	8
6	Other Fees	8
7	Estimated Initial Investment	10
8	Restrictions on Sources of Products and Services	13
9	Franchisee's Obligations	15
10	Financing	16
11	Franchisor's Assistance, Advertising, Computer Systems and Training	16
12	Territory	22
13	Trademarks	23
14	Patents, Copyrights, and Proprietary Information	24
15	Obligation to Participate in the Actual Operation of the Franchise Business	25
16	Restrictions on What the Franchisee May Sell	25
17	Renewal, Termination, Transfer and Dispute Resolution	26
18	Public Figures	30
19	Financial Performance Representations	30
20	Outlets and Franchisee Information	30
21	Financial Statements	32
22	Contracts	32
23	Receipts	32

Exhibits

A	Financial Statement
B	Franchise Agreement
	Exhibits to Franchise Agreement:
	Exhibit 1: Territory & Location of Outlet
	Exhibit 2: Names and Addresses of Principal Equity Owners
	Exhibit 3: Lease Rider
C	Area Development Agreement
D	List of Franchise Outlets
E	List of Terminated Franchises
F	State Franchise Administrators and Agents for Services of Process
G	Registration of Franchises in Other States
H	Conditional Assignment of Telephone and Directory Listing
I	Abandonment, Relinquish, & Termination of Assumed Fictitious Business Name
J	Electronic Funds Transfer Authorization
K	Credit Card Payment Authorization
L	Form of General Release
M	Personal Guarantee
N	SBA Franchise Agreement Addendum
O	State and Provincial Law Addendum
P	Receipts

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

To simplify the language, this disclosure document uses "we" or "us" to mean RAKKAN USA Franchise, LLC. "You" means the individual or entity buying the RAKKAN franchise and if an entity acquires the franchise, all persons who own 20% or more of the franchisee entity ("Principal Equity Owners").

The Franchisor, Parents and Affiliates

We are the franchisor for the RAKKAN system. We are a limited liability company formed in California. Our principal business address is 1025 W. 190th St., Suite 160, Gardena, California 90248.

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.

Predecessors

We have no predecessor.

Name Used by the Franchisor

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

Agent for Service of Process

Our agent for service of process in California is Mr. Ryohei Ito, whose address is 1025 W. 190th St., Suite 160, Gardena, California 90248. The list of state agents for service of process is located in Exhibit F.

Business Organization Used by the Franchisor

We are a limited liability company organized in California on January 22, 2019.

The Franchisor's Business

We act solely as a franchisor of RAKKAN Ramen franchises. We began franchising in April 2019. We do not operate businesses of the type being franchised. We do not engage in other business activities. We will supply certain kitchenware before your Outlet opens.

We do not have any affiliates that offer franchises in any line of business.

The Business the Franchisee Will Conduct

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 ("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.

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.

General Market for Franchised Products and Services

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.

Industry Specific Laws or 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.

Competition

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.

Prior Experience of Franchisor and Predecessors

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, CA 90012 in July 2017, “RAKKAN Redondo Beach” at 629 S. Pacific Coast Hwy., Redondo Beach, CA 90277 in July 2018, and then “RAKKAN Long Beach” at 5242 E. 2nd Street, Long Beach, CA 90803 in November 2020.

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, CA and in Redondo Beach, CA. 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, CA.

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. From January 2013 to June 2017, he served as the General Manager of Kiyokawa restaurant in Beverly Hills, California.

ITEM 3: LITIGATION

There is no litigation that must be disclosed in this Item.

ITEM 4: BANKRUPTCY

There are no bankruptcies that must be disclosed in this Item.

ITEM 5: INITIAL FEES

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.

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.

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 Development Fee (if applicable) are fully earned by us when paid and non-refundable.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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.

Type of Fee	Amount	Due Date	Remarks
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.
Marketing and Promotion Fees [1]	1% of Gross Revenues	10th day of each month [2]	You may be required to pay a monthly "Marketing and Promotion Fee" on the 10th day of each month. This fee will be calculated on the Gross Revenues received during the previous month.
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]	$500/day and reimbursement for our expenses	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 $500 per day 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 and providing initial franchise training to 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).

Type of Fee	Amount	Due Date	Remarks
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.
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.

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

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
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
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			

(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

Required Purchases of Goods or Services, including Computer and Point of Sale System

You must purchase or lease a point of sale ("POS") system and supporting enterprise information software that we approve. We have no obligation to provide or assist you in obtaining the POS system. You are responsible for all ongoing maintenance and repairs and upgrades to the POS system. In addition to the POS System, you may be required to purchase, use and maintain a personal computer

system (including Quick Books and other related hardware and software) as specified in the Manual or otherwise by us in writing for use in connection with the Outlet (the “Computer System”).

You must purchase items bearing our trademarks only from designated vendors or approved suppliers. Also, you must use in the development and operation of your Outlet those fixtures, items of equipment, including food preparation and storage equipment, display cases, cash registers and computer systems, storefront, supplies and signs we have approved as meeting our specifications and standards for appearance, function, design, quality and performance. You must place or display at the premises of your Outlet (interior and exterior) only such signs, emblems, lettering, logos, and display materials we approve in writing. All equipment leases will be between you and the lessor. Under no circumstances can you sign any lease as if you were RAKKAN, or on behalf of us.

Franchisor or its Affiliates Acting as Approved Suppliers

We will supply kitchenware to you. None of our affiliates will be acting as your supplier. Mr. Ryohei Ito owns an interest in us. No other officer of the franchisor owns an interest in any supplier.

Approved Suppliers and Approval of Alternative Suppliers

You may be required to purchase only from manufacturers or producers designated or approved by us in writing other specified food and beverage items to maintain consistency in quality and for other considerations. We will provide a written list of these proprietary or selected items and approved manufacturers or producers. We will also notify you of any additions to or deletions from this list.

We only designate or approve suppliers who demonstrate to our satisfaction the ability to meet our standards and specifications, who possess adequate quality control and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. Designation of a supplier may be conditioned on meeting criteria we determine, including performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may designate single or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers.

The current list of approved products and suppliers is found in the Manual. We may make changes to these lists or other parts of the Manual, which we will provide to you. If you desire to purchase products other than those provided by approved suppliers, you must submit to us a written request for approval of the proposed supplier together with such evidence of conformity with our specifications and program specifications as we may reasonably require. We will have the right to require our representative be permitted to inspect the supplier’s facility and samples from the supplier to be delivered for evaluation and testing, either to us or to an independent testing facility we designate. You may be required to pay a charge not to exceed the reasonable costs of evaluation and testing. Our criteria for supplier approvals are contained in the Manual. Within 30 days after our receipt of the completed request or completion of the evaluation and testing (if required by us), we will notify you in writing of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld. You must not sell or offer for sale any products or services from a proposed supplier until you receive our written approval of the proposed supplier.

We may revoke our approval of particular products or suppliers if we determine in our sole discretion the products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing or selling any disapproved product.

We may also consider the impact of an additional supplier (and consequent reductions in supplier volume and increase in distribution expense) on the overall supply chain being utilized by the system.

Issuance of Specifications and Standards

We issue specifications and standards regarding RAKKAN Products and other authorized products and services to our franchisees through the Manual and other communications in writing or by email. We also issue specifications and standards regarding RAKKAN Products and other authorized products and services to its designated and approved suppliers in writing or by email. We may modify these specifications and standards at any time but only after delivering written notification of the modifications and providing its franchisees or suppliers a reasonable amount of time to implement the modifications.

Revenue from Franchisee Purchases

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, 2023, we collected $67,666.42 in rebates from United Foods International and $27,985.78 in rebates from Tasty Foods for seasonings purchased by our franchisees and company-owned outlets, $29,748 in rebates from Maruha Nichiro Meat & Products USA for cooked meat products purchased by our franchisees and company-owned outlets, and $38,082.30 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, 2023, neither we nor any of our affiliates derived revenue, rebates or other material consideration based on required purchases or leases by our franchisees.

Payments to us and purchases from designated vendors (i) in establishing your Outlet will range from 10% to 20% of your total initial investment and (ii) in operating your Outlet will range from 20% to 30% of your total monthly expenses.

Cooperatives

We are not presently involved in any purchasing or distribution cooperatives.

Negotiated Purchase Arrangements

We currently negotiate purchase arrangements or price terms with suppliers for the benefit of franchisees.

Material Benefits Based on Franchisee Purchases

We do not provide any material benefits to you based on your purchase of specific products or services or your use of specific suppliers.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in franchise agreement	Section in area development agreement	Disclosure document item
a.	Site selection and acquisition/lease	7.1, 7.2	Exhibit 1	6,11
b.	Pre-opening purchases/leases	7.2, 7.3	2.2	8
c.	Site development and other pre-opening requirements	7.1, 7.2	2.1	6, 7, 11
d.	Initial and ongoing training	6.1-6.4	Not applicable	11
e.	Opening	3.3, 7.2, 7.3	Exhibit 1, 2.1	11

	Obligation	Section in franchise agreement	Section in area development agreement	Disclosure document item
f.	Fees	4.1-4.8, 5.2, 12.2	3.1, 3.2	5, 6
g.	Compliance with standards and policies/ operating manual	8.1-8.3	Not applicable	11
h.	Trademarks and proprietary information	8.8, 9.1-9.5	5.2	13,14
i.	Restrictions on products/services offered	3.2, 3.4, 8.1, 8.13	1.1, 1.5	16
j.	Warranty and customer service requirements	3.3, 8.1	Not applicable	11
k.	Territorial development and sales quotas	Not applicable	Exhibit 1, 1.2, 2.4	12
l.	Ongoing product/service purchases	7.3	Not applicable	8
m.	Maintenance, appearance and remodeling requirements	5.2, 7.2, 8.5	Not applicable	11
n.	Insurance	8.10	Not applicable	6, 8
o.	Advertising	4.3, 7.4, 8.8, 8.13, 10.1, 10.2	5.2	6,11
p.	Indemnification	16.2	Not applicable	6
q.	Owner's participation/management/staffing	3.6, 6.1, 6.2, 8.1, 12.6	Not applicable	11,15
r.	Records and reports	8.7	Not applicable	6
s.	Inspections and audits	8.7, 8.11	Not applicable	6,11
t.	Transfer	12.1-12.7	4.1, 4.2	17
u.	Renewal	5.2, 5.3	1.3, 1.4	17
v.	Post-termination obligations	11.2, 15.1, 15.2	6.2	17
w.	Non-competition covenants	11.1-11.3	5.1	17
x.	Dispute resolution	14.1-14.5	7.1	17
y.	Compliance with anti-terrorism and other federal laws	16.13	Not applicable	Not applicable

ITEM 10: FINANCING

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

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

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

Our Pre-Opening Obligations

Before you open your business, we will:

(1) Designate your franchise territory (see section 3.1 and Exhibit 1 of the Franchise Agreement).

(2) Provide you with initial training and orientation in the RAKKAN system and how to operate the Outlet (see section 6.1 of the Franchise Agreement and the Training Program described below in this Item 11). Your General Manager and at least one Principal Equity Owner (the General Manager may be a Principal Equity Owner) must successfully complete initial training to our satisfaction before you can open your Outlet.

(3) Provide you with a general plan for the layout, furnishing and equipping of your Outlet, together with a written schedule of all RAKKAN Products and other products and services that may be sold at your Outlet and a list of approved and designated suppliers (see section 7.2(e) and 7.3(a) of the Franchise Agreement).

(4) Assist you in selecting a site for your Outlet. We generally do not own a site and lease it to you. We do not typically pre-select the site for your Outlet, but we must give our final consent to the location before your Outlet can be placed there (see section 7.2(a) of the Franchise Agreement). You and your landlord may be required to complete and sign a rider or addendum to the lease that (i) grants us an option to assume your position as lessee under the lease for the Outlet premises if you are in material default of either the lease for the Outlet premises (including an obligation of the landlord to notify us if you are in default) or the Franchise Agreement, and (ii) requires the landlord to fully cooperate with us in completing de-identification of the Outlet if the Franchise Agreement is terminated or expires without being renewed. We will review and either consent to or decline the proposed site for your Outlet within 15 days after you provide us with its address. The factors that we consider in consenting to a site for the Outlet include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease or rental terms. Our review and consent to the location of the Outlet is no guarantee or assurance that you will be successful there.

(5) Provide you with a copy of the Manual (see section 8.2 of the Franchise Agreement).

(6) May recommend retail prices for RAKKAN Products you sell at your Outlet, and other products and services we authorize for sale at your Outlet (to enhance uniformity in the delivery of goods and services to retail customers by our franchises and the strength of our Marks in inter-brand competition), and if we do so, you may not advertise or promote (whether by telephone, printed materials or any other media, including, without limitation, social media) retail prices that are inconsistent with these recommended prices (see section 8.1(c) of the Franchise Agreement).

Length of Time to Open the Outlet

The typical length of time between the signing of the Franchise Agreement and the opening of your Outlet will be approximately 8 to 12 months. You are required to commence your franchise business operations within 12 months from the execution of the Franchise Agreement. If you are unable to open your Outlet within this period, we can cancel the Franchise Agreement (see section 7.2(b) of the Franchise Agreement). Factors that may affect this time include but not limited to (i) securing the premises for your Outlet, (ii) completing the mandatory training, (iii) completing the built-out of your Outlet and installing equipment, (iv) securing financing for your franchised business, and (iv) obtaining required licenses and permits. Any failures caused by war or civil disturbance, natural disaster, labor dispute, shortages or other events beyond your reasonable control may be grounds to expend the requirement to open the Outlet within 12 months. The length of the extension will depend on the circumstances.

Our Obligations during the Operation of the Franchise

During the operation of the franchised business, we:

(1) Will provide you with access to and integrate information about your Outlet into the RAKKAN website (see sections 6.2(b) and 8.13 of the Franchise Agreement).

(2) Will be reasonably available by phone and e-mail for guidance in the operation and management of your Outlet (see section 6.2 of the Franchise Agreement). However, we do not provide you with assistance in hiring employees.

(3) May visit your Outlet from time to time for guidance in the operation and management of your Outlet except for assistance in hiring employees, but the frequency and duration of any such visits by our representatives is in our sole discretion (see section 6.2 of the Franchise Agreement).

(4) In connection with your ongoing obligation to maintain the Outlet in accordance with our standards, will notify you if the general state of repair, appearance or cleanliness of your Outlet or its fixtures, equipment or signs do not meet our standards, and specify the action you must take to correct the deficiency (see section 8.11 of the Franchise Agreement).

(5) May conduct a system-wide mandatory meeting (or annual convention) not more than once a year in California or other place in the United States. Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your other Principal Equity Owners). You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings. (See section 6.3 of the Franchise Agreement.)

(6) May recommend retail prices for RAKKAN Products you sell at your Outlet, and other products and services we authorize for sale at your Outlet (to enhance uniformity in the delivery of goods and services to retail customers by our franchises and the strength of our Marks in inter-brand competition), and if we do so, you may not advertise or promote (whether by telephone, printed materials or any other media, including, without limitation, social media) retail prices that are inconsistent with these recommended prices (see section 8.1(c) of the Franchise Agreement).

Advertising Program for the Franchise System

We intend to use digital media (Internet, Facebook, Twitter, *etc.*) and targeted print media in our marketing and advertising efforts. And in the future, we may use local radio and television advertising. We will be using in-house advertising personnel to do this, but we also intend to hire advertising and public relations firms to assist us in these efforts. We are not required to spend any advertising fees in your franchised territory, although we may do so.

You may develop advertising materials for your own use, at your own cost. But we must approve all advertising materials in advance and in writing.

We do not yet have a franchisee council that advises us on advertising policies, but we may establish one in the future, and if we do so, we will request input on advertising informally from franchisees.

We are not presently involved in any advertising cooperatives. However, we reserve the right to require cooperatives to be formed, changed, dissolved, or merged. We may designate local, regional or national advertising coverage areas to develop cooperative local or regional advertising and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Our company-owned outlets will not be required to participate in or contribute to such regional advertising programs.

If at any meeting of the franchisees in an advertising region, 75% of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). 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. At the time a cooperative local or regional advertising or promotional program is developed, we will provide to you a list of all open RAKKAN franchises within your advertising coverage area.

We will administer each Regional Advertising Fund by depositing the funds into a separate bank account specifically designated for Regional Advertising. There are no other written governing documents that govern any cooperative advertising program. No Regional Advertising Fund will be audited. However, we will prepare annual financial statements that you may obtain upon written request to us.

Your contributions must be paid to the cooperative administrator we designate, when and in the same manner as the Royalty Fee payments are paid to us.

You must spend at least $3,000 in your Territory on the grand opening advertising and promotion of your Outlet, using a grand opening promotional program that we approve. In addition to the grand

opening advertising and promotion of your Outlet, you are also required to spend additional amounts on the local marketing, advertising and promotion of your Outlet.

In addition, we recommend that you spend 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.

We do not currently collect Marketing and Promotion Fees from RAKKAN franchisees. However, we reserve the right to impose and collect such fees in the future. If we do so, we will provide you with prior notice in writing. The Marketing and Promotion Fees will be equal to 1% of your monthly Gross Revenues and will be paid to us on the 10th day of each month.

We will collect Marketing and Promotion Fees from all RAKKAN franchisees at the same rate. We will spend collected Marketing and Promotion Fees for national, regional and local advertising, public relations, market research, and promotional campaigns designed to promote and enhance the value of the RAKKAN trademark and its general recognition and acceptance. RAKKAN retail outlets owned by entities affiliated with us will contribute Marketing and Promotion Fees at the same rate as RAKKAN franchisees.

Marketing and Promotion Fees will be deposited into a separate bank account specifically designated for RAKKAN marketing, advertising and promotional activities. This separate marketing and advertising bank account will not be audited. However, if you request in writing an accounting of advertising expenditures within 90 days after the end of a calendar year, we will provide you, within 30 days after receiving a written request, with an unaudited financial statement of the advertising account's annual receipts and expenditures related to the calendar year. No interest on the amounts on deposit will be imputed for your benefit or paid to you. We will administer this separate marketing and advertising bank account and the national advertising program and will receive a fee of 15% of the annual aggregate Marketing and Promotion Fees for doing so.

Marketing and Promotion Fees will be primarily used to promote the RAKKAN system and retail sales at Outlets. We will determine, in our sole discretion, the cost, form or media, content, format, production and timing, including regional or local concentration and seasonal exposure, location and all other matters involving advertising, public relations and promotional campaigns. We anticipate Marketing and Promotion Fees will be spent as follows: 40% on the production of advertisements and other promotional materials, 40% for media placement, 15% for our administrative expenses and 5% on other miscellaneous expenses.

If we do not expend all Marketing and Promotion Fees in the fiscal year in which they accrue, the amount remaining will be retained for future advertising.

None of the Marketing and Promotion Fees will be used primarily for the solicitation for new franchise sales.

On a national or regional basis, we may impose an assessment on all affected RAKKAN franchisees for special advertising or promotional activities if franchisees owning 2/3 of all affected franchised territories agree to this assessment, confirmed in writing by each franchisee (see section 4.3(e) of the Franchise Agreement).

We will provide general advertising programs and sales promotion, campaign and sample advertising materials. You may develop advertising materials for your own use, at your own cost. But we must approve all advertising materials in advance and in writing. You grant us the right to use the name, image and likeness of you, all Principal Equity Owners and any of your affected employees, for commercial purposes in connection with the marketing and promotion of the Marks, RAKKAN Products, any RAKKAN Outlet and the RAKKAN system. (See section 9.1(d) of the Franchise Agreement.)

Electronic Cash Registers and Computer Requirements

We may require you to purchase or lease a specific brand of point of sale system or cash register for use in your Outlet. You will obtain the POS Program to operate your POS System from our designated vendor, and you may be required to enter into a software license agreement on the designated vendor's then-current form. The cost of purchasing or leasing the POS System ranges between $7,500 and $11,000. The monthly cost for the POS Program software ranges between $500 and $1,000. The annual cost of optional or mandatory maintenance of the POS System ranges between $100 and $500. We require you to maintain an e-mail account and always connect your POS System to a dedicated telephone line (or other communications medium we specify) capable of accessing the Internet via a third-party network we designate in the Manual or otherwise in writing. You are responsible for all ongoing maintenance and repairs and upgrades.

We don't presently specify or recommend any brand or type of business computer you use. But if we do so in the future, you will be notified.

We may require you to update, upgrade or replace the POS System from time to time upon written notice, provided that you will not be required to replace the POS System any more frequently than once every three years (see section 8.4 of the Franchise Agreement).

The POS System must be electronically linked to us. We may remotely access the POS System on a daily or other basis at such times and in such manner as determined by us, with or without notice, and to retrieve such transaction information including sales, sales mix, usage and other operations data as we deem appropriate. You are required to ensure that only the General Manager or other adequately trained employees identified and approved by us will be allowed to conduct transactions using the POS System. (see section 8.4 of the Franchise Agreement).

Operations Manual

We will loan you one copy of our Manual (containing a total of 100 pages) and other applicable manuals during the relevant phases of initial training (see section 8.2 of the Franchise Agreement). The Manual contains mandatory and suggested specifications, standards and procedures for operation of your Outlet.

We will modify the Manual, and you must comply with these changes when you receive them, but no modification will alter your status and rights under the Franchise Agreement. This Manual is confidential and remains our property. If you lose or allow the unauthorized duplication of the Manual or any other confidential manuals or proprietary materials loaned to you by us, you will be deemed to be in violation of this Agreement and all other agreements you have with us (see section 8.2 of the Franchise Agreement) and we would be entitled to recover damages from you).

The following is the Table of Contents of the Manual as of the date of this disclosure document.

	Topic	**Number of Pages**
SECTION 1	ABOUT US	11
SECTION 2	INTROCUTION	2
SECTION 3	RAKKAN FRANCHISE SYSTEM	2
SECTION 4	PRE-OPENING PROCEDURES	1
SECTION 5	MANAGEMENT & TEAM MEMBER TRAINING	10
SECTION 6	DAILY OPERATING PROCEDURES	9
SECTION 7	UNIFORM STANDARD	6
SECTION 8	SERVICE PROCEDURES	5
SECTION 9	ATMOSPHERE	3
SECTION 10	MERCHANDISE & GIFT CARDS	2
SECTION 11	RECIPES & MENUS	5
SECTION 12	FOOD OPERATIONS	10
SECTION 13	SANITATION	3
SECTION 14	FACILITIES & EQUIPMENT	6

SECTION 15	BRAND GUIDELINES	2
SECTION 16	DIRECTORY	1

Currently, we have no policy under which we will render services to you not required by your Franchise Agreement (or other agreements with us) or the Manual.

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.

The successful completion of the initial training by your designated General Manager and at least one Principal Equity Owner to our satisfaction is a condition to your opening of an Outlet to the public. If your designated General Manager fails to complete the initial training satisfactorily, you will have the option of either having the General Manger retake the initial training or send a replacement, approved by us, to the initial training. You are required to pay us a fee of either $1,000 for a 5-day or $2,000 for a 10-day training course if the General Manager is required to retake 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 are required to pay us $3,000 for such replacement initial training.

You will be required to conduct on-site training of your staff at your Outlet for at least two weeks prior to the grand opening. We will not provide the on-site training for your Outlet except for a three-day on-site training we will provide immediately before and after the opening of your Outlet.

No additional training programs or refresher courses are required. However, you can request additional on-site training and/or assistance at any time. We may provide it at our option, but the Franchise Agreement does not require us to do so.

You must pay all the expenses incurred by your trainees and attendees in connection with the Initial Training Program and any other training, conferences, conventions or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses (section 6.1(f) of the Franchise Agreement).

Upon reasonable notice, we may require the attendance of personnel you designate at seminars, conferences or other programs that are deemed by us to be relevant or appropriate to the operation of your Outlet (see section 6.2(d) of the Franchise Agreement).

We may periodically conduct an annual conference, convention or training session, and if we do, we will determine its duration, curriculum and location (section 6.3 of the Franchise Agreement). Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your other Principal Equity Owners).

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.

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, our affiliate, RAKKAN USA INC. ("RAKKAN USA") 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, RAKKAN USA 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.

All trademarks are owned by RAKKAN USA INC., which granted us a trademark license (the "Trademark License") and right to use the principal trademark and related trademarks, service marks, trade names, logos and symbols (collectively the "Marks") related to RAKKAN and to grant licenses to use the Marks to RAKKAN franchisees. The Trademark License will continue until it is terminated. If the Trademark License were to be terminated, RAKKAN franchisees would have the right to continue to use the Marks while operating their franchised Outlets under their Franchise Agreements for not less than the existing term of the Franchise Agreement. Except as described above, 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 and Copyrights

We do not own rights in, or licenses to, patents or copyrights that are material to the franchise and you do not receive the right to use any item covered by a patent or copyright. However, we assert a common law copyright on the contents of the Manual (which is described in Item 11 of this disclosure document) and only you or your authorized employees can have access to and use the proprietary information in the Manual. Item 11 also describes limitations on the use of this Manual by you and your employees.

Our Proprietary Rights in Other Confidential Information

You may never reveal any of our confidential proprietary information or trade secrets to another person or use it for another person or business. You may not copy any of our confidential proprietary information or disclose it to a third party except as we authorize. You must also promptly tell us when you learn about

unauthorized use of any of our confidential proprietary information. We are not obligated to take any action but will respond to your notification of unauthorized use as we think appropriate.

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

As disclosed in section 8.1(a) of the Franchise Agreement, you must employ at least one designated General Manager (if you are a sole proprietor, this could be you), who has successfully completed our initial training program, to devote their entire time during normal business hours to the management, operations and development of the Outlet. If the General Manager is not a Principal Equity Owner, at least one Principal Equity Owner must directly oversee or participate personally in the operations of the Outlet. You must disclose the identity of the General Manager to us and you must notify us immediately and in writing if they are no longer acting in this capacity. The General Manager cannot have an interest or business relationship with any of our business competitors. We do not require your General Manager to have any ownership interest in your business; however, if the General Manager is not a Principal Equity Owner, he or she may be required to sign a non-competition agreement that is like the non-competition agreement contained in your Franchise Agreement so long as it is not prohibited by your state law.

You are required keep the Manual confidential and current, and the master copy of the Manual maintained by us at our principal office will control in the event of a conflict related to the contents of the Manual. as set forth in section 8.2 of the Franchise Agreement.

Pursuant to Section 11.1 of the Franchise Agreement, during the term of the Agreement you will not be allowed to operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareholder, manager, member, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to RAKKAN Products or the Franchised Business, without our prior written consent.

Pursuant Section 11.2 of the Franchise Agreement, for a period of one year after the termination of the Agreement, neither you nor any Principal Equity Owner will be allowed to (either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to RAKKAN Products or the Franchised Business, within a radius of 25 miles of your Territory without our prior written consent.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell at your Outlet only RAKKAN Products and other goods and services that we designate as required for all franchisees or have approved.

We have the right to change and add other authorized goods and services that you will be required to offer. There are no limits on our right to do so, except that the additional investment required of you for equipment, supplies and initial inventory will not exceed $25,000 per year.

There are no restrictions on the customers to whom you may sell RAKKAN Products and related products at your Outlet.

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

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in franchise agreement	Section in area development agreement	Summary
a.	Length of the franchise term	5.1	1.3	The initial term of the Franchise Agreement is 10 years from the opening date of your Outlet. The term of the ADA is until all Outlets have been opened under the Development Schedule.
b.	Renewal or extension of the term	5.2	Not Applicable	You can add two additional 5-year terms upon written notice delivered to us not less than 180 days before the end of the existing Franchise Agreement term. However, we are not obligated to renew your Franchise if one or more of the conditions in section 5.2(c) of the Franchise Agreement apply to you.
c.	Requirements for franchisee to renew or extend	5.2	Not Applicable	Sign then current Franchise Agreement modified by addendum to apply to renewal ("Renewal Franchise Agreement") or an addendum to your existing Franchise Agreement extending its term, remodel your Outlet (if necessary), pay renewal fee and sign release. You are qualified for renewal if you are in full compliance your operating requirements, all fees due us are paid and you are not in breach of any term of your Franchise Agreement. The Renewal Franchise Agreement may have materially different terms and conditions than your original Franchise Agreement.
d.	Termination by franchisee	13.1(b)	1.3	If we are in material breach (beyond any applicable cure periods), you can terminate your Franchise Agreement or ADA.
e.	Termination by franchisor without cause	Not applicable	Not applicable	Not applicable.
f.	Termination by franchisor with cause	13.1-13.11	6.1	We can terminate the Franchise Agreement or ADA only if you are in material default of that agreement. We cannot terminate the Franchise Agreement solely because we terminate an ADA that we signed with you (or your affiliated entity). However, we can terminate an ADA if you (or your affiliated entity) fail to meet the development schedule under the ADA or you are in material breach of any Franchise Agreement that you (or your affiliated entity) signed with us.
g.	"Cause" defined – curable defaults	13.3	6.1	You have 30 days after notice to cure monetary defaults and other defaults (including defaults under a lease for your Outlet) that can be cured.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
h.	"Cause" defined – non-curable defaults	13.2	Not Applicable	Non-curable defaults: your bankruptcy or insolvency; abandonment of the franchise; you engage in conduct that reflects materially and unfavorably upon the operation or reputation of RAKKAN or our franchise system; you make material misrepresentations relating to your acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System; you fail, for a period of 10 business days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchise; after curing any default, you engage in the same noncompliance whether or not such noncompliance is corrected after notice; you repeatedly fail to comply with one or more material requirements of the Franchise Agreement, whether or not corrected after notice; the Franchised Business or your Outlet is seized, taken over, or foreclosed by a government official, creditor, lien holder or lessor, or that a final judgment against you remains unsatisfied for 30 days (absent filing of an appeal bond); you are convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise; or we make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety. 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.
i.	Franchisee's obligations on termination or non-renewal	15.1	6.1, 6.2	Obligations include removal of our Marks and other trademarks, return of all confidential and proprietary information and erasure of all copies of confidential and proprietary information, forwarding of telephone number and payment of amounts due (also see r. in this Table, below).
j.	Assignment of contract by franchisor	12.1	4.1	No restriction on our right to assign. (However, no assignment will be made except to an assignee that in good faith and judgment of the franchisor is willing and financially able to assume our obligations as franchisor under the Franchise Agreement or ADA.)

	Provision	Section in franchise agreement	Section in area development agreement	Summary
k.	"Transfer" by franchisee – defined	12.2	4.2	Includes transfer of contract or assets or ownership change.
l.	Franchisor's approval of transfer by franchisee	12.2	4.1	We have the right to approve all transfers (including transfers of (i) more than 50% of the equity or (ii) controlling interest in a franchisee entity), but we will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	12.2	4.2	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, and current agreement signed by new franchisee (see r. below). Within 60 days after our receipt of all necessary information and documentation required under the Franchise Agreement, or as specified by written agreement between us and you, we will notify you of the approval or disapproval of the proposed transfer of the Franchise by you. This notice will be in writing and delivered to you by business courier. The ADA may only be transferred to an entity that is (i) organized to operate as a developer of Outlets and (ii) entirely owned by Area Developer.
n.	Franchisor's right of first refusal to acquire franchisee's business	12.3	Not Applicable	We can match any legitimate offer for your business, but we have no right of first refusal if the transfer is (i) to your heirs, personal representatives or conservators in the case of death or legal incapacity; (ii) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan.
o.	Franchisor's option to purchase franchisee's business	15.2(d)	Not Applicable	Within 30 days after the termination, expiration or non-renewal of the Franchise Agreement, we have the option, but not an obligation, to purchase all or any portion of your reusable inventory, apparel containing the Marks, proprietary equipment, parts, fixtures and furnishings owned and used by you in your franchised operation.
p.	Death or disability of franchisee	12.6	Not Applicable	Franchise must be assigned by estate to approved buyer within 270 days.
q.	Non-competition covenants during the term of the franchise	11.1, 11.3	5.1	No involvement in competing business anywhere.
r.	Non-competition covenants after the franchise is terminated or expires	11.2, 11.3	5.1	No competing business for 1 year within 25 miles of your Outlet or any other RAKKAN Outlet (this obligation also applies to you if you assign your franchise). The ADA refers to the non-competition covenant in the last Franchise Agreement you sign.
s.	Modification of the agreement	8.2, 16.15(c)	9.2	No modifications generally, but Manual subject to change.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
t.	Integration/merger clause	16.14	9.11	Only the terms of the Franchise Agreement and ADA are binding (subject to state law). Any representations or promises made that are outside of the disclosure document, Franchise Agreement and ADA may not be enforceable.
u.	Dispute resolution by arbitration or mediation	14.1-14.5	7.1	The parties agree in the Franchise Agreement to submit disputes (not including your failure to pay us sums due under the Franchise Agreement, or an act of yours allowing us to immediately terminate the Franchise Agreement or ADA) initially to a meeting in person of our executive officers and your Principal Equity Owners at our principal executive office (without our respective legal counsel) within 5 business days after a dispute arises to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If this meeting does not result in a settlement of the dispute (or the meeting does not take place), within 10 business days after the date the meeting took place (or should have taken place), the parties may submit the dispute to non-binding mediation in California conducted by a mutually agreeable mediator who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If a mediation takes place but does not resolve the dispute, or no mediation takes place, the dispute will be resolved by arbitration by and before JAMS, Inc. in accordance with (i) its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or (ii) its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more). Or if the parties mutually agree, the dispute may be submitted to arbitration by and before another mutually acceptable arbitration organization.
v.	Choice of forum	14.2(b), 14.3	7.1	Arbitration proceedings will take place in Los Angeles County, California, or other county where our headquarters is then located, or if we elect, in the county where your principal place of business is then located. Any mediation proceeding will take place at a mutually agreed location. Litigation proceedings will be filed in an appropriate court in California.
w.	Choice of law	16.14	9.1	The Federal Arbitration Act (9 U.S.C. §1 *et seq*.) governs the arbitration of disputes under the Franchise Agreement and the ADA. Otherwise, the laws of the state where the Outlet is located govern the Franchise Agreement and the ADA.

ITEM 18: PUBLIC FIGURES

We do not currently pay or provide any other benefit to a public figure for the right to use their name to promote the sale of RAKKAN franchises.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ryohei Ito, 1025 W. 190th St., Suite 160, Gardena, California 90248; telephone number (424) 329-0513; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary For years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
	2021	0	3	3
	2022	3	6	3
Franchised	2023	6	12	6
	2021	4	4	0
	2022	4	3	-1
Company-Owned	2023	3	3	0
	2021	**4**	**7**	**3**
	2022	**7**	**9**	**2**
Total Outlets	**2023**	**9**	**15**	**6**

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For years 2021 to 2023

State	Year	Number of Transfers
	2021	**0**
	2022	**0**
TOTALS	**2023**	**0**

Table No. 3

Status of Franchised Outlets For years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	**2021**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**1**	**0**	**0**	**0**	**0**	**1**
	2023	**1**	**2**	**0**	**0**	**0**	**0**	**3**
Colorado	**2021**	**0**	**1**	**0**	**0**	**0**	**0**	**1**
	2022	**1**	**0**	**0**	**0**	**0**	**0**	**1**
	2023	**1**	**0**	**0**	**0**	**0**	**0**	**1**
Georgia	**2021**	**0**	**1**	**0**	**0**	**0**	**0**	**1**
	2022	**1**	**0**	**0**	**0**	**0**	**0**	**1**
	2023	**1**	**0**	**0**	**0**	**0**	**0**	**1**
Illinois	**2021**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**1**	**0**	**0**	**0**	**0**	**1**
	2023	**1**	**0**	**0**	**0**	**0**	**0**	**1**
Nevada	**2021**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**1**	**0**	**0**	**0**	**0**	**1**
	2023	**1**	**0**	**0**	**0**	**0**	**0**	**1**
Texas	**2021**	**0**	**1**	**0**	**0**	**0**	**0**	**1**
	2022	**1**	**0**	**0**	**0**	**0**	**0**	**1**
	2023	**1**	**4**	**0**	**0**	**0**	**0**	**5**
	2021	**0**	**3**	**0**	**0**	**0**	**0**	**3**
	2022	**3**	**3**	**0**	**0**	**0**	**0**	**6**
Totals	**2023**	**6**	**6**	**0**	**0**	**0**	**0**	**12**

Table No. 4

Status of Company-Owned Outlets For years 2021 to 2023

State or Country	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2021	4	0	0	0	0	4
	2022	4	0	0	1	0	3
California	2023	3	0	0	0	0	3
	2021	**4**	**0**	**0**	**0**	**0**	**4**
	2022	**4**	**0**	**0**	**1**	**0**	**3**
Totals	**2023**	**3**	**0**	**0**	**0**	**0**	**3**

Table No. 5

Projected New Franchised Outlets As Of December 31, 2023

State or Country	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	1	1	0
Texas	1	2	0
Washington D.C.	2	1	0
Totals	**4**	**4**	**0**

Exhibit D lists, as of December 31, 2023, the contact names, addresses and telephone numbers of (i) all RAKKAN franchise outlets that were open and operating and (ii) franchisees that have signed franchise agreements but not yet opened their outlets.

Exhibit E lists, as of December 31, 2023, the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during our most recently completed fiscal year, or that has not communicated with us within the 10 weeks ending on the date of this disclosure document. Your contact information may be disclosed if you buy this franchise and then later leave the system. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with 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. However, during the last 3 fiscal years, we have not signed any agreements with current or former franchisees that included confidentiality clauses.

We have not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the RAKKAN franchise being offered. There are no independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21: FINANCIAL STATEMENTS

Exhibit A to the disclosure document contains our audited financial statements for the fiscal years ending December 31, 2023, December 31, 2022 and December 31, 2021. Our fiscal year end is December 31.

ITEM 22: CONTRACTS

Exhibit B - Franchise Agreement
Exhibit C – Area Development Agreement

ITEM 23: RECEIPTS

You will find copies of a detachable receipt in Exhibit P at the very end of this disclosure document.

Statement of Policy

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.

AKNOWLEDGMENT

I have received a disclosure document dated March 20, 2024 that included the following Exhibits:

A	Financial Statement
B	Franchise Agreement
	Exhibits to Franchise Agreement:
	Exhibit 1: Territory & Location of Outlet
	Exhibit 2: Names and Addresses of Principal Equity Owners
	Exhibit 3: Lease Rider
C	Area Development Agreement
D	List of Franchise Outlets
E	List of Terminated Franchises
F	State Franchise Administrators and Agents for Services of Process
G	Registration of Franchises in Other States
H	Conditional Assignment of Telephone and Directory Listing
I	Abandonment, Relinquish, & Termination of Assumed Fictitious Business Name
J	Electronic Funds Transfer Authorization
K	Credit Card Payment Authorization
L	Form of General Release
M	Personal Guarantee
N	SBA Franchise Agreement Addendum
O	State and Provincial Law Addendum
P	Receipts

DATED: _____
(Do not leave blank)

If a business entity:

_____
(Name of Business Entity)

_____
(Signature of Primary Contact Owner)

_____
(Print Name and Title)

If an individual:

_____
(Signature of Prospective Franchisee)

_____
(Print Name)

RAKKAN USA Franchise, LLC

FINANCIAL STATEMENTS

EXHIBIT A

USA FRANCHISE, LLC

Independent Auditor's Report and
Financial Statements

December 31, 2023 and 2022

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS

RAKKAN USA FRANCHISE LLC

CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022	
Balance Sheets	3
Statements of Income	4
Statements of Changes in Member's Equity	5
Statements of Cash Flows	6
Notes to Financial Statement	7 - 14
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	15

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS
18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

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, 2023 and 2022, 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, 2023 and 2022, 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.

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 20, 2024

RAKKAN USA FRANCHISE, LLC

Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash	$ 468,730	$ 529,278
Accounts receivable	85,138	75,873
Inventories	8,975	24,128
Total current assets	562,843	629,279
Property and equipment:		
Furniture and fixtures	20,777	20,777
Less: Accumulated depreciation	(6,233)	(2,078)
Net property and equipment	14,544	18,699
Other noncurrent assets		
Due from affiliate	310,000	-
Right-of-use asset for operating lease	217,189	233,728
Security deposit	10,554	10,554
Deferred commission fees	58,250	64,250
Total Other Assets	595,993	308,532
TOTAL ASSETS	**$ 1,173,380**	**$ 956,510**
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable	$ 1,220	$ 1,120
Credit cards payable	13,022	3,525
Deferred revenue, current	51,667	23,000
Gift card payable	11,883	7,421
Current operating lease liabilities	47,764	51,568
Payroll taxes payable	2,158	-
Total current liabilities	127,714	86,634
Long-term liabilities:		
Operating lease liabilities	169,425	182,160
Deferred revenue, non-current	569,666	587,834
Total long-term liabilities	739,091	769,994
TOTAL LIABILITIES	866,805	856,628
MEMBER'S EQUITY	306,575	99,882
TOTAL LIABILITIES AND MEMBER'S EQUITY	**$ 1,173,380**	**$ 956,510**

RAKKAN USA FRANCHISE, LLC

Statements of Income
For the Years Ended December 31, 2023 and 2022

	2023	2022
REVENUES:		
Franchise fees	$ 29,500	$ 19,000
Royalty fees	365,314	184,457
Product sales	16,349	18,963
Other sales	1,430	2,055
Total revenues	412,593	224,475
Cost of sales	15,153	21,678
Gross profit	397,440	202,797
Operating expenses:		
Salaries and wages	128,235	77,715
Rent	67,465	51,578
Legal and professional fees	46,742	62,986
Office expenses	36,478	29,138
Travel	31,589	12,789
Taxes and licenses	11,701	4,321
Payroll taxes	11,594	7,850
Restaurant supplies	7,022	-
Commission expense	6,000	6,000
Depreciation	4,155	2,078
Advertising	3,700	370
Meals and entertainment	3,627	1,743
Total operating expenses	358,308	256,568
Income (loss) from operations	39,132	(53,771)
Other Income (expenses)		
Other income	4,621	-
Vendor rebate	164,640	100,564
Total other income (expenses)	169,261	100,564
Income before income taxes	208,393	46,793
Provision for income taxes	1,700	1,700
NET INCOME	**$ 206,693**	**$ 45,093**

RAKKAN USA FRANCHISE, LLC

Statements of Changes in Member's Equity
For the Years Ended December 31, 2023 and 2022

	2023	2022
Member's equity (deficit), beginning of year	$ 99,882	$ 54,789
Net income/(loss)	206,693	45,093
Member's equity, end of year	**$ 306,575**	**$ 99,882**

RAKKAN USA FRANCHISE, LLC

Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 206,693	$ 45,093
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Depreciation	4,155	2,078
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(9,265)	(50,517)
Inventories	15,153	(11,221)
Security deposit	-	(10,554)
Deferred commission fees	6,000	(6,000)
Increase (decrease) in:		
Accounts payable	100	150
Credit cards payable	9,497	717
Customer deposits	-	(5,366)
Gift card liability	4,462	7,421
Deferred revenue	10,499	341,000
State tax payable	-	(800)
Payroll taxes payable	2,158	-
Net cash provided (used) by operating activities	249,452	312,001
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of furniture & fixtures	-	(20,777)
Net cash provided (used) by investing activities	-	(20,777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan to affiliate	(310,000)	-
Net cash provided (used) by financing activities	(310,000)	-
NET INCREASE (DECREASE) IN CASH	**(60,548)**	**291,224**
CASH - beginning	**529,278**	**238,054**
CASH - ending	**$ 468,730**	**$ 529,278**
SUPPLEMENTAL INFORMATION		
Cash paid for interest	**$ -**	**$ -**
Cash paid for taxes	**$ 1,700**	**$ 1,700**

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, 2023, there were 13 operating locations franchised by Rakkan USA Franchise, seven of which opened in 2023.

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, 2023 and 2022.

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.

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, 2023 and 2022, the Company's uninsured cash balances totaled $206,747 and $271,757, 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, 2023 and 2022, depreciation expense totaled $4,155 and $2,078, respectively.

Accounts receivable – Substantially all accounts receivable are due from franchisees. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2023 and 2022, accounts receivable totaled $85,138 and $75,873, respectively.

Inventories – Inventories consist of food product supplies available for resale and is stated at the lower of cost or market. At December 31, 2023 and 2022, inventories totaled $8,975 and $24,128, 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 2023, that amount is $900.

For the years ended December 31, 2023 and 2022, state income tax expense consists of California annual tax of $1,700 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 $29,500 and $19,000 at December 31, 2023 and 2022, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

- ***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, 2023 and 2022 were $365,314 and $184,457, 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, 2023 and 2022 were $16,349 and $18,963, 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, 2023 and 2022, rebate income totaled $164,640 and $100,564, 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, 2023 and 2022:

	2023	2022
Balance at beginning of year	$ 610,833	$ 269,833
Revenue recognized during the year	(29,500)	(19,000)
New deferred revenue during the year	40,000	360,000
Balance at end of year	$ 621,333	$ 610,833

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
2024	$ 51,667
2025	59,000
2026	64,667
2027	68,000
2028	68,000
Thereafter	310,000
Total	$ 621,333

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 $15,153 and $21,678 at December 31, 2023 and 2022, 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, 2023 and 2022 were $58,250 and $64,250, respectively.

Advertising – Advertising costs are charged to expense as incurred. Advertising costs for the years ended December 31, 2023 and 2022 were $3,700 and $370, 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.

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, 2023:

	Operating Lease
2024	$ 61,200
2025	62,424
2026	63,672
2027	64,944
Total future lease payments	252,240
Less: Imputed interest	(35,051)
Present value of lease liabilities	$ 217,189

The operating lease liabilities of $217,189 and $233,728 as of December 31, 2023 and 2022, respectively, represents the discounted (at a 6.67% estimated incremental borrowing rate) value of the future lease payments. For the years ended December 31, 2023 and 2022, rent expense attributed to the operating lease are $67,465 and $51,578, 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, 2023 and 2022.

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, 2023 and 2022, the Company had recorded trade payables in the amount of $1,220 and $1,120, 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 $13,022 and $3,525 at December 31, 2023 and 2022, 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, 2023 and 2022 gift card liability totaled $11,883 and $7,421, respectively.

NOTE 6 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2023 and 2022, 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, 2023 and 2022, total product sales were $865 and $1,572, respectively.

- ***Cost of sales*** –During the years ended December 31, 2023 and 2022, the Company purchased equipment, kitchenware, other related products and accessories from a related parties, a total of $5,211 and $1,872, respectively.

NOTE 6 – RELATED PARTY TRANSACTIONS (CONTINUED)

- ***Inventories*** – The Company purchased restaurant supplies and other related products from a related party. At December 31, 2023 and 2022, total purchase was $5,211 and $3,930.

- ***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, 2023 and 2022, due from affiliate totaled $310,000 and $-0, respectively.

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

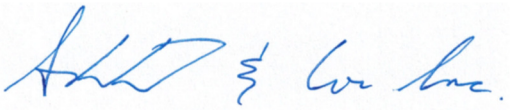
Date of management review – The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events that occurred that require additional disclosure. Subsequent events have been evaluated through March 20, 2024, which is the date the financial statements were available to be issued.

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS
18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To Whom It May Concern:

Schild & Co., Inc. consents to the use in the Franchise Disclosure Document issued by Rakkan USA Franchise LLC ("Franchisor") on March 20, 2024, as it may be amended, of our report dated March 20, 2024, relating to the financial statements of Franchisor for the years then ended December 31, 2023 and 2022.



Fountain Valley, California
March 20, 2024

USA FRANCHISE, LLC

Independent Auditor's Report and
Financial Statements

December 31, 2022 and 2021

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS

RAKKAN USA FRANCHISE LLC

CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021	
Balance Sheets	3
Statements of Income	4
Statements of Changes in Member's Equity	5
Statements of Cash Flows	6
Notes to Financial Statement	7 - 14
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	15

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS
18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

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, 2022 and 2021, 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

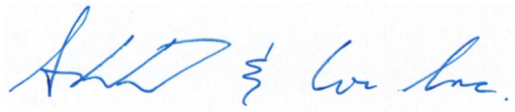
Auditor's Responsibilities for the Audit of the Financial Statements

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 15, 2023

RAKKAN USA FRANCHISE, LLC

Balance Sheets
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash	$ 529,278	$ 238,054
Accounts receivable	75,873	25,356
Inventories	24,128	12,907
Total current assets	629,279	276,317
Property and equipment:		
Furniture and fixtures	20,777	-
Less: Accumulated depreciation	(2,078)	-
Net property and equipment	18,699	-
Other noncurrent assets		
Right-of-use asset for operating lease	233,728	-
Security deposit	10,554	-
Deferred commission fees	64,250	58,250
Total Other Assets	308,532	58,250
TOTAL ASSETS	**$ 956,510**	**$ 334,567**
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable	$ 1,120	$ 970
Credit cards payable	3,525	2,808
Deferred revenue, current	23,000	24,000
Gift card liability	-	5,366
State tax payable	-	800
Current operating lease liabilities	51,568	-
Other payable	7,421	-
Total current liabilities	86,634	33,944
Long-term liabilities:		
Operating lease liabilities	182,160	-
Deferred revenue, non-current	587,834	245,834
Total long-term liabilities	769,994	245,834
TOTAL LIABILITIES	856,628	279,778
MEMBER'S EQUITY	99,882	54,789
TOTAL LIABILITIES AND MEMBER'S EQUITY	**$ 956,510**	**$ 334,567**

RAKKAN USA FRANCHISE, LLC

Statements of Income
For the Years Ended December 31, 2022 and 2021

	2022	2021
REVENUES:		
Franchise fees	$ 19,000	$ 10,167
Royalty fees	184,457	85,905
Product sales	18,963	10,298
Rebate income	100,564	69,477
Other sales	2,055	46
Total revenues	325,039	175,893
Cost of sales	21,678	9,737
Gross profit	303,361	166,156
Operating expenses:		
Salaries and wages	77,715	23,250
Legal and professional fees	62,986	38,984
Rent	51,578	-
Office expenses	29,138	6,793
Travel	12,789	26,169
Payroll taxes	7,850	2,537
Commission expense	6,000	1,750
Taxes and licenses	4,321	821
Depreciation	2,078	-
Meals and entertainment	1,743	3,267
Advertising	370	858
Total operating expenses	256,568	104,429
Total income before income taxes	46,793	61,727
Provision for income taxes	1,700	800
NET INCOME	**$ 45,093**	**$ 60,927**

RAKKAN USA FRANCHISE, LLC

Statements of Changes in Member's Equity
For the Years Ended December 31, 2022 and 2021

	2022	2021
Member's equity (deficit), beginning of year	$ 54,789	$ (938)
Distributions	-	(5,200)
Net income/(loss)	45,093	60,927
Member's equity, end of year	**$ 99,882**	**$ 54,789**

RAKKAN USA FRANCHISE, LLC

Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 45,093	$ 60,927
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Depreciation	2,078	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(50,517)	(23,356)
Inventories	(11,221)	(10,617)
Security deposit	(10,554)	-
Deferred commission fees	(6,000)	(22,250)
Increase (decrease) in:		
Accounts payable	150	970
Credit cards payable	717	2,808
Customer deposits	(5,366)	5,366
Deferred revenue	341,000	149,834
State tax payable	(800)	800
Other payable	7,421	(3,272)
Net cash provided (used) by operating activities	312,001	161,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of furniture & fixtures	(20,777)	-
Net cash provided (used) by investing activities	(20,777)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital distributions	-	(5,200)
Net cash provided (used) by financing activities	-	(5,200)
NET INCREASE IN CASH	**291,224**	**156,010**
CASH - beginning	**238,054**	**82,044**
CASH - ending	**$ 529,278**	**$ 238,054**
SUPPLEMENTAL INFORMATION		
Cash paid for interest	**$ -**	**$ -**
Cash paid for taxes	**$ 1,700**	**$ 800**

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, 2022, there were 6 operating locations franchised by Rakkan USA Franchise, three of which opened in 2022.

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, 2022 and 2021.

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.

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, 2022 and 2021, the Company's uninsured cash balances totaled $271,757 and $-0, 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, 2022 and 2021, depreciation expense totaled $2,078 and $-0, respectively.

Accounts receivable – Substantially all accounts receivable are due from franchisees. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2022 and 2021, accounts receivable totaled $75,873 and $25,356, respectively.

Inventories – Inventories consist of food product supplies available for resale and is stated at the lower of cost or market. At December 31, 2022 and 2021, inventories totaled $24,128 and $12,907, 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 2022, that amount is $900.

For the years ended December 31, 2022 and 2021, state income tax expense consists of California annual tax of $1,700 and $800, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising – Advertising costs are charged to expense as incurred. Advertising costs for the years ended December 31, 2022 and 2021 were $370 and $858, respectively.

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.

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.

- ***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.

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.

- ***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.

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, 2022 and 2021:

	2022	2021
Balance at beginning of year	$ 269,833	$ 120,000
Revenue recognized during the year	(19,000)	(10,167)
New deferred revenue during the year	360,000	160,000
Balance at end of year	$ 610,833	$ 269,833

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
2023	$ 23,000
2024	27,000
2025	28,000
2026	28,000
2027	28,000
Thereafter	476,833
Total	$ 610,833

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 $21,678 and $9,737 at December 31, 2022 and 2021, 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, 2022 and 2021 were $64,250 and $58,250, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Maturities of lease liabilities are as follows as of December 31, 2022:

	Operating Lease
2023	$ 51,568
2024	57,948
2025	54,714
2026	56,353
2027	63,324
Thereafter	-
Total lease payments	283,907
Less: imputed interest	(50,179)
Present value of lease liabilities	$ 233,728

The operating lease liabilities of $233,728 and $-0 as of December 31, 2022 and 2021, respectively, represents the discounted (at a 6.67% estimated incremental borrowing rate) value of the future lease payments. For the years ended December 31, 2022 and 2021, rent expense attributed to the operating lease are $51,578 and $-0, 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, 2022 and 2021.

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, 2022 and 2021, the Company had recorded trade payables in the amount of $1,120 and $970, 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 $3,525 and $2,808 at December 31, 2022 and 2021, respectively. Based on the card usage and outstanding balance, a finance charge is charge to the Company. The finance charge is expensed when incurred. At December 31, 2022 and 2021, finance charge totaled $-0.

NOTE 5 – OTHER PAYABLE

The Company received advanced payment from customers and records other payable as those liabilities are incurred. At December 31, 2022 and 2021, other payable totaled $7,421 and $-0, respectively.

NOTE 6 – 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, 2022 and 2021 gift card liability totaled $-0 and $5,366, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2022 and 2021, 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, 2022 and 2021, total product sales were $1,572 and $3,028, respectively.

- ***Cost of sales*** –During the years ended December 31, 2022 and 2021, the Company purchased equipment, kitchenware, other related products and accessories from a related parties, a total of $1,872 and $3,028, respectively.

- ***Inventories*** – The Company purchased restaurant supplies and other related products from a related party. At December 31, 2022 and 2021, total purchase was $24,128 and $12,907.

NOTE 8 – 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 9 – 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 15, 2023, which is the date the financial statements were available to be issued.

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS
18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To Whom It May Concern:

Schild & Co., Inc. consents to the use in the Franchise Disclosure Document issued by Rakkan USA Franchise LLC ("Franchisor") on March 15, 2023, as it may be amended, of our report dated March 15, 2023, relating to the financial statements of Franchisor for the years then ended December 31, 2022 and 2021.

Fountain Valley, California
March 15, 2023

RAKKAN USA Franchise, LLC

FRANCHISE AGREEMENT

EXHIBIT B

TABLE OF CONTENTS

RECITALS 1

I. DEFINITIONS 1

II. THE FRANCHISED BUSINESS 3

2.1 Franchisor's Business. 3
2.2 The Franchise System. 4

III. GRANT OF FRANCHISE 4

3.1 Grant of Franchise. 4
3.2 Reserved Rights. 4
3.3 Promotion and Development of Franchisee's Outlet. 4
3.4 Extent of Grant. 4
3.5 Electronic Execution and Copies. 5
3.6 Obligations of Entity Franchisee. 5

IV. PAYMENTS BY FRANCHISEE 6

4.1 Initial Franchise Fee. 6
4.2 Royalty. 6
4.3 Marketing, Advertising and Promotion. 6
4.4 Electronic Funds Transfer. 7
4.5 Fees Fully Earned; No Setoffs. 7
4.6 Late Fee; Interest on Delinquent Payments. 7
4.7 No Accord or Satisfaction. 7
4.8 CPI Adjustments. 8
4.9 Other Payments. 8

V. INITIAL TERM AND RENEWAL TERMS 8

5.1 Initial Term. 8
5.2 Renewal Terms. 8
5.3 Month to Month Extension; Longer Notice of Expiration Required by Law 9

VI. TRAINING AND ASSISTANCE 10

6.1 Initial Training. 10
6.2 Training and Assistance During and After Opening. 10
6.3 Mandatory Meetings. 11
6.4 Proprietary Materials. 11

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS 11

7.1 Franchisee's Outlet. 11
7.2 Building Out Franchisee's Outlet. 12
7.3 Initial Inventory, Fixtures and Equipment. 13
7.4 Marketing and Advertising Boundaries. 13

VIII. OPERATION OF FRANCHISED BUSINESS 14

8.1 Operational Requirements. 14
8.2 Confidential Operations Manual. 15
8.3 Schedule of Authorized Products and Standards of Operation. 16
8.4 Point of Sale System. 16
8.5 Maintenance, Upgrades and Refurbishments to the Outlet. 17
8.6 Relocation of Franchisee's Outlet. 17
8.7 Record Keeping and Reporting Requirements. 18
8.8 Signs and Display Materials. 18
8.9 Telephone Numbers. 18
8.10 Insurance. 19
8.11 Review and Inspection. 19
8.12 Compliance with Laws. 20
8.13 Web Site and Internet Marketing. 20
8.14 Intranet. 20

8.15 Franchise Advisory Council. 21
IX. PROPRIETARY MARKS 21
9.1 License of the Marks. 21
9.2 Franchisee's Business Name. 22
9.3 Trade Secrets and Proprietary Information. 23
9.4 Modification of Marks and Trade Dress. 24
9.5 Mark Infringement Claims and Defense of Marks 24
X. MARKETING AND PROMOTION 24
10.1 Marketing and Promotion of the Brand. 24
10.2 Advertising Content and Costs. 25
XI. NON-COMPETITION COVENANTS 25
11.1 Exclusive In-Term Dealing. 25
11.2 Post Termination Non-Competition Covenants. 25
11.3 General Provisions regarding Non-Competition Covenants. 25
XII. ASSIGNMENT 26
12.1 Assignment by Franchisor. 26
12.2 Assignment by Franchisee. 26
12.3 Right of First Refusal. 28
12.4 Transfers to Certain Family Members. 28
12.5 Transfers to Affiliated Entities. 28
12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner. 29
12.7 Other Transfers. 29
XIII. DEFAULT AND TERMINATION 30
13.1 General. 30
13.2 Immediate Termination. 30
13.3 Termination After Notice. 31
13.4 Description of Default. 32
13.5 Statutory Limitations. 32
13.6 Extended Cure Period. 32
13.7 Franchisor's Right to Cure Franchisee's Defaults. 32
13.8 Waiver and Delay. 32
13.9 Recovery of Lost Royalty. 32
13.10 Collection Costs. 33
13.11 Continuance of Business Relations. 33
XIV. DISPUTE RESOLUTION. 33
14.1 Initial Steps to Resolve a Dispute; Mediation. 33
14.2 Arbitration. 33
14.3 Injunctive Relief. 35
14.4 Legal Fees and Expenses. 35
14.5 Survival. 35
XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION 35
15.1 Franchisee's Obligations. 35
15.2 Franchisor's Rights. 36
XVI. GENERAL TERMS AND PROVISIONS 37
16.1 Notices. 37
16.2 Indemnity. 37
16.3 Franchisee’s Relationship to Franchisor as Franchisee. 38
16.4 Customer Reviews. 38
16.5 No Third-Party Beneficiaries. 39
16.6 Survival of Covenants. 39
16.7 Successors and Assigns. 39
16.8 Joint and Several Liabilities. 39
16.9 Titles for Convenience Only. 39
16.10 Gender. 39
16.11 Severability; Partial Invalidity. 39

16.12 Counterparts. 39
16.13 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws. 39
16.14 Governing Law. 40
16.15 Entire Agreement. 40
XVII. EFFECTIVENESS OF AGREEMENT 41
XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS 41
18.1 Acknowledgments and Representations. 41
18.2 Additional Information Respecting Franchisee and Franchisee's Principal Equity Owners. 42
18.3 Statement of Policy. 42
EXHIBIT 1 - TERRITORY AND LOCATION OF OUTLET 45
EXHIBIT 2 - NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS 46
EXHIBIT 3 – LEASE RIDER 47

FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made and entered into as of _____, 20___ (the "Effective Date"), by and among RAKKAN USA Franchise, LLC, a California limited liability company doing business as RAKKAN Ramen ("Franchisor", "RAKKAN", "we", "us" or "our") and _____ _____ ("Franchisee"), and (if Franchisee is not a sole proprietorship) each person owning 20% or more of the Franchisee entity, who will sign and be a party to this Agreement (in such context, "Principal Equity Owner"), with reference to the following facts:

RECITALS

An entity affiliated with Franchisor (the "Owner of the Marks") owns the RAKKAN trademarks, service marks and other intellectual property and all rights in respect thereof. The Owner of the Marks has authorized Franchisor to license them to RAKKAN franchisees.

Franchisee desires to be franchised and licensed by Franchisor to use Franchisor's "System" (as defined in Article I below), "Marks" (as defined in Article I below) and goodwill to conduct the "Franchised Business" (as defined in Article I below) at a specific "Outlet" (as defined in Article I below and identified in Exhibit 1 attached).

Franchisor is willing to grant Franchisee a "Franchise" (as defined in section 3.1 hereof), in accordance with the provisions of this Agreement and the Confidential Operations Manual.

I. DEFINITIONS

Abandoned. The term "Abandoned" means cessation of operation of the Franchised Business for a period of five consecutive business days, without Franchisor's prior written consent. A repeated pattern of inactivity at Franchisee's Outlet for periods of less than five consecutive business days may result in the Franchised Business being deemed Abandoned by Franchisee if in Franchisor's judgment such inactivity adversely impacts the Franchised Business. However, the Franchised Business will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond Franchisee's control, provided that Franchisee gives Franchisor notice of any such closure within five business days after the initial occurrence of the event resulting in such inactivity, and Franchisee acknowledges in writing that such inactivity is due to one of the foregoing causes, and provided further that Franchisee re-establish the Franchised Business and be fully operational within 180 days after the initial occurrence of the event resulting in such inactivity, or such longer period as Franchisor may permit.

Anniversary Year. The term "Anniversary Year" means the 12-month period between the "Opening Date" (as defined below in this Article I) and the first anniversary thereof and between each succeeding anniversary.

Confidential Information. The term **"**Confidential Information" means information, know-how, and materials, that is of value to Franchisor (or other third party, as applicable) and treated as confidential by any of the foregoing and is disclosed or made known or available to Franchisee or its employees or agents. Without limiting the generality of the foregoing, the term Confidential Information includes, without limitation: (i) the Confidential Operations Manual; (ii) all technical and non-technical information, including without limitation, information concerning finances, financing and capital raising plans, accounting or marketing, business opportunities, affiliate lists, business plans, forecasts, predictions, projections, recipes, products, research, development, and know-how; (iii) Intellectual Property, the Marks, "RAKKAN Products" (as defined in this Article I), insignias, designs, and materials subject to copyright, patent, or trademark registration; (iv) any developments, inventions, improvements, additions, modifications, enhancements, derivatives, ideas, reports, analyses, opinions, studies, data or other materials or work product, whether prepared by Franchisor or otherwise, that contain or are based upon Proprietary Information (as defined in Article I below); (v) information regarding customers and potential customers of the Franchised Business, including customer lists, names, needs or desires with respect to the products or services offered, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to customers and potential customers of the Franchised Business and other non-public information relating to customers and potential customers; (vi) information regarding any of Franchisor's business partners or affiliates and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the discloser, and other non-public information relating to business partners; (vii) information regarding personnel, including compensation and personnel files; (viii) Trade Secrets; and (ix) any other non-public information that a competitor of Franchisor could use to the competitive disadvantage of Franchisor.

Confidential Operations Manual. The term “Confidential Operations Manual” means the manual or manuals (regardless of title) containing the policies, procedures, purchasing and resale techniques and other proprietary requirements to be adhered to by Franchisee in performing under this Agreement, including all amendments and supplements thereto provided to Franchisee from time to time.

Control. The term “Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

CPI. The term “CPI” means the annual average of the Consumer Price Index for All Urban Consumers, 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).

Force Majeure. The term “Force Majeure” means a natural disaster (such as tornado, earthquake, hurricane, flood, fire or other natural catastrophe); strike, lockout or other industrial disturbance; war, terrorist act, riot, or other civil disturbance; epidemic; or other similar force which Franchisee could not by the exercise of reasonable diligence have avoided; provided however, neither an act or failure to act by any federal, state, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, or other person will be a Force Majeure, except to the extent such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise a Force Majeure. To avoid any potential misunderstanding, Franchisee's financial inability to perform or Franchisee's insolvency will not be a Force Majeure.

Franchised Business. The term "Franchised Business" means the sale of “RAKKAN Products”(as defined in this Article) and other goods and services at the Outlet that we authorize in the Confidential Operations Manual pursuant to the “System” (as defined in this Article) and other business methods and procedures set forth by us for the operation and marketing of an Outlet within the “Territory”(as defined in this Article I).

General Manager. The term “General Manager” means the individual (may be a Principal Equity Owner) who has been designated by Franchisee as the person responsible for the day-to-day operation of the Outlet, and who has successfully completed “Initial Training” (as defined in this Article I).

Gross Revenues. The term “Gross Revenues” means all revenues, however generated or received, derived by Franchisee from operating the Franchised Business at or through Franchisee's Outlet, excluding only applicable sales or use taxes, refunds and gratuities, and not modified for uncollected accounts.

Initial Training. The term “Initial Training” means training in the System provided by Franchisor, as described in and required by section 6.1 hereof.

Intellectual Property. The term “Intellectual Property” means intangible property, including “Trade Secrets” (as defined in this Article I); inventions; pictorial, literary, graphic and photographic works of authorship; designs; symbols; and trademarks, domain names, other names and logos owned by Franchisor and used in the Franchised Business or at the Outlet.

Intellectual Property Rights. The term “Intellectual Property Rights” means all past, present, and future rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (i) rights associated with works of authorship, including exclusive exploitation rights, copyrights, moral rights, and mask work rights; (ii) trademark and trade name rights and similar rights; (iii) trade secret rights; (iv) patent and industrial property rights; (v) other proprietary rights in intellectual property of every kind and nature; and (vi) rights in or relating to registrations, renewals, extensions, combinations, divisions, and reissues of, and applications for, any of the rights referred to in clauses (i) through (v) of this sentence.

Marks. The term “Marks” means the proprietary marks that are associated with the System and associated designs in respect of which registrations have been obtained from or applied for with the United States Patent and Trademark Office, as well as all common law trademarks and service marks, domain names, trade names, logos, insignias, designs and other commercial symbols which Franchisor now or hereafter are authorized to use and use or authorize others to use to identify the Franchised Business. Franchisor will list in the Confidential Operations Manual a schedule of Marks Franchisee is authorized to use under this Agreement and update this schedule as necessary.

Master Design. The term “Master Design” means 2 typical prototype layouts including all key kitchen layouts and others based on which Franchisee’s architect or designer designs the Outlet.

Opening Date. The term “Opening Date” means the day Franchisee opens its Outlet, furnished, inventoried and equipped in accordance with Franchisor's requirements, and Franchisee begins operating the Franchised Business at this Outlet.

Outlet. The term "Outlet" means either (i) a standard size retail quick serve restaurant or (ii) a smaller retail express outlet (such as in a food court) which we have consented to and which is exclusively dedicated to the operation of the Franchised Business under the Marks and in accordance with the System.

Proprietary Information. The term “Proprietary Information” means, refers to, and includes Trade Secrets and Confidential Information of Franchisor (or if any other third party provided such information to or on behalf of Franchisor). No formal identification of Proprietary Information will be required. Without limiting the generality of the foregoing, Proprietary Information may take the form of documentation, drawings, specifications, software, technical or engineering data and other forms, and may be communicated orally, in writing, by electronic means or media, by visual observation and by other means.

RAKKAN Products. The term "RAKKAN Products" means ramen (Japanese style noodle) dishes with various types of broth, Japanese appetizers, specified condiments and ingredients, and other food, beverages, chopsticks, menu and related products and accessories provided by Franchisor, designated vendors and/or approved suppliers for resale by Franchisee at its Outlet in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by Franchisor).

Suggestions. The term “Suggestions” means any new products or services, specifications, suggestions or other feedback made by Franchisee or Principal Equity Owners to modify the System.

System. The term “System” means comprehensive marketing and operational systems prescribed by Franchisor to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual. The System includes (i) the Marks, (ii) know-how relating to RAKKAN Products, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (vi) related materials, artwork, graphics, layouts, slogans, names, titles, text and other Intellectual Property Rights that Franchisor makes available to Franchisee. In its sole discretion, Franchisor may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; or better serving the public.

Territory. The term “Territory” means the designated and agreed geographical area surrounding Franchisee's Outlet as set forth in Exhibit 1 attached hereto.

Trade Dress. The term "Trade Dress" means the unique and distinctive layout, design and color schemes relating to the Outlet, and furnishings; depictions of the schedule of authorized products; the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packaging; point of purchase materials; and signs related to RAKKAN Products.

Trade Secret. The term “Trade Secret” means information constituting a trade secret within the meaning of the federal Defend Trade Secrets Act (18 U.S.C. § 1836, et seq.), as amended from time to time.

Transfer. The term “Transfer” means a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise.

II. THE FRANCHISED BUSINESS

2.1 Franchisor's Business.

Franchisor is engaged in the administration, development, operation and licensing of businesses that operate Outlets offering the Franchised Business, using the Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with Franchisor and its affiliated companies. Franchisor's activities in general and the System (including proprietary services; logos; equipment and operations;

designs and layouts for the Outlets; marketing and advertising, specialty retail items and promotional activities) are undertaken to develop, maintain and enhance the Marks and Franchisor's business reputation.

2.2 The Franchise System.

As a result of Franchisor's expenditure of time, skill, effort and money, Franchisor has developed and supervises the franchise System under the Marks operated in accordance with the provisions of this Agreement and Franchisor's Confidential Operations Manual, as amended from time to time.

III. GRANT OF FRANCHISE

3.1 Grant of Franchise.

(a) By their respective signatures below, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a license ("Franchise") to participate in and use the System by conducting the Franchised Business at Franchisee's Outlet within Franchisee's Territory as described in Exhibit 1 attached hereto, in strict accordance with this Agreement and the Confidential Operations Manual, from the time of commencement of the Franchised Business until the end of the term hereof and any additional term, unless sooner terminated. So long as Franchisee complies with this Agreement, Franchisor will not authorize another RAKKAN franchisee to operate, or operate itself, an Outlet in Franchisee's Territory. Notwithstanding the foregoing, Franchisor may participate in any event, festival, or exhibition held in Franchisee's Territory as a food vendor for the purpose of advertising and promoting the RAKKAN brand.

(b) Franchisee acknowledges that Franchisor may have granted and may in the future operate or grant other licenses and franchises for other business concepts outside the Territory. FRANCHISEE MAY NOT USE FRANCHISOR'S MARKS, OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS AT THE OUTLET WITHOUT FRANCHISOR'S EXPRESS PRIOR WRITTEN PERMISSION, WHICH PERMISSION, IF GRANTED, WILL BRING SUCH BUSINESSES OR SERVICES WITHIN THE SCOPE OF THE FRANCHISED BUSINESS AND SUBJECT REVENUES THEREFROM TO PAYMENT OF ROYALTY AND MARKETING AND PROMOTION FEES.

3.2 Reserved Rights.

(a) Nothing contained herein accords Franchisee any right, title or interest in or to the Marks, System, marketing and operational techniques, service concepts, proprietary information or goodwill of Franchisor or associated with the System, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS FRANCHISEE ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT FRANCHISEE'S OUTLET AND NOWHERE ELSE UNLESS FRANCHISOR SPECIFICALLY ALLOWS FRANCHISEE TO OFFER RAKKAN PRODUCTS ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO FRANCHISOR.**

(b) Franchisor reserves the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to Franchisor, without necessarily granting Franchisee any rights in those systems. Franchisor reserves all rights to market and sell RAKKAN Products at venues other than Outlets and through other channels of distribution anywhere, including within Franchisee's Territory.

3.3 Promotion and Development of Franchisee's Outlet.

Franchisee must (i) diligently and effectively promote, market and engage in the Franchised Business at its Outlet; (ii) develop, to the best of its ability, the potential for future Franchised Business within Franchisee's Territory; and (iii) devote and focus a substantial portion of Franchisee's attentions and efforts to such promotion and development.

3.4 Extent of Grant.

(a) Franchisee understands and agrees that Franchisee is licensed hereby only for the operation of the Franchised Business at and from Franchisee's Outlet and only within Franchisee's Territory. Franchisee must offer and sell at Franchisee's Outlet and in Franchisee's Territory only RAKKAN Products and other goods and services that Franchisor designates as required or approved for all franchisees.

(b) Franchisee may not deliver RAKKAN Products (or other products or services ordered from Franchisee's Outlet or otherwise associated with the Marks) outside Franchisee's Territory without Franchisor's prior written consent. If Franchisee does so without Franchisor's consent, it will be a material violation of this Agreement.

(c) Franchisee may not sublicense, sublease, subcontract or enter any management agreement, concession agreement, partnership agreement or joint venture agreement, providing for the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

3.5 Electronic Execution and Copies.

(a) An executed counterpart of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by fax, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this section 3.5(a) and the following section 3.5(b) as "electronic"), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) Franchisee acknowledges and agrees Franchisor may create an electronic record of any or all agreements, correspondence or other communication between Franchisor and Franchisee or involving third parties, and Franchisor may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form and will be maintained in and readable by hardware and software generally available. Notwithstanding any statute, regulation or other rule of law to the contrary, Franchisee agrees any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

3.6 Obligations of Entity Franchisee.

(a) If Franchisee is an entity, Franchisee must provide Franchisor at the Effective Date with a copy of its organizational document and by-laws, shareholders' agreement, operating agreement or other agreement between the equity owners.

(b) If Franchisee is an entity, any person or entity that at any time after the Effective Date becomes a Principal Equity Owner will automatically acquire all the obligations of a Principal Equity Owner under this Agreement. Before approving and entering into any transaction that would make any person or entity a Principal Equity Owner, Franchisee must notify such person about the content of this section 3.6(b).

(c) If Franchisee is an entity, Franchisee must place the following legend on all certificates evidencing an equity interest:

"THE TRANSFER OF THE EQUITY INTEREST IN THE ENTITY REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT DATED _____, 20___, BETWEEN THIS ENTITY AND RAKKAN USA FRANCHISE, LLC. REFERENCE IS MADE TO SUCH FRANCHISE AGREEMENT AND THE RESTRICTIVE PROVISIONS CONTAINED THEREIN AND AS MAY BE OTHERWISE SET FORTH IN THE ORGANIZATIONAL DOCUMENTS AND OPERATING AGREEMENTS OF THIS ENTITY."

(d) If this Agreement is for the first Outlet operated by Franchisee, either (i) a sole proprietor owner of Franchisee or (ii) if Franchisee is an entity, at least one Principal Equity Owner or a General Manager of Franchisee entity, must personally participate in the direct operation of the franchised Outlet.

IV. PAYMENTS BY FRANCHISEE

4.1 Initial Franchise Fee.

(a) The “Initial Franchise Fee” is $20,000 for the first and each subsequent franchised Outlet opened by Franchisee.

However, if this Agreement is for a second or subsequent Outlet owned by Franchisee under the terms of an Area Development Agreement (“ADA”) Franchisee executed, a credit will be applied against the Initial Franchise Fee in the amount specified in the ADA and Franchisee must pay Franchisor the balance, if any.

(b) The Initial Franchise Fee (and all other payments to Franchisor for goods or services received from Franchisor before Franchisee's RAKKAN location opens for business) is due and payable in full, by cashier's check or money order or wire transfer to Franchisor's bank account, when Franchisee signs this Agreement. **The Initial Franchise Fee is fully earned by Franchisor when paid and non-refundable.**

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the development fee owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the development agreement.

4.2 Royalty.

Beginning on the Opening Date, Franchisee must pay Franchisor on the 10th day of the month following the calendar month, a “Royalty” of 5% of the Gross Revenues during the preceding month. Payment must be accompanied by a report of the applicable Gross Revenues.

4.3 Marketing, Advertising and Promotion.

(a) Within the 60 days before the Opening Date, Franchisee must spend in Franchisee's Territory at least $3,000 (and up to $8,000 depending on the size of the Outlet) on the grand opening advertising and promotion of the Outlet, using the grand opening advertising and promotional program that Franchisor approves, including the "soft opening" to be held on or about the Opening Date and the grand opening event.

(b) After Franchisee completes the grand opening advertising and promotion of its Outlet, Franchisee is required to spend additional amounts on the local marketing, advertising and promotion of Franchisee’s Outlet (“Local Marketing Expenditure”), using marketing and promotional materials pre-approved in the Confidential Operations Manual or otherwise authorized in writing by Franchisor. Franchisor recommends that Franchisee spend between 1% and 3% of its Gross Revenues on local promotion and marketing. Franchisor reserves the right to adjust the minimum recommended amount of the Local Marketing Expenditure at any time during the term of the Franchise Agreement.

(c) On a regional or system-wide basis, Franchisor may impose an additional assessment upon affected franchisees for special designated advertising or promotional activities if two-thirds of all affected franchised Outlets agree to such additional assessment by affirmative vote.

(d) Franchisee must fully participate with any gift card, customer loyalty, referral and other contests and promotions Franchisor arranges for, requires or authorizes RAKKAN franchisees to participate in. Details regarding such contests and promotions will be set forth in the Confidential Operations Manual.

(e) With respect to all regional, national and/or system-wide advertising, Franchisor determines the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

(f) Franchisor may agree to designate geographic areas for the purpose of establishing local or regional advertising cooperatives (“Cooperatives”) in accordance with the applicable provisions of the Confidential Operations Manual. If the Outlet is within the territory of an existing Cooperative at the time the Outlet opens for business, Franchisee will immediately become a member of the Cooperative. Each member will be entitled to one vote for each franchise operation owned. If a Cooperative applicable to the Outlet is established during the term of this Agreement, Franchisee must become a member no later than 30 days after the date approved by Franchisor for the Cooperative to commence operation. In no event will Franchisee be required to be a member of more than one Cooperative for the Outlet.

If at any meeting of the franchisees in an advertising region, 75% of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). 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. At the time a cooperative local or regional advertising or promotional program is developed, Franchisor will provide to Franchisee a list of all open RAKKAN franchises within Franchisee's advertising coverage area.

Franchisor will administer each Regional Advertising Fund by depositing the funds into a separate bank account specifically designated for Regional Advertising. There are no other written governing documents that govern any cooperative advertising program. No Regional Advertising Fund will be audited. However, Franchisor will prepare annual financial statements that Franchisee may obtain upon written request to Franchisor. Franchisee's contributions must be paid to the cooperative administrator Franchisor designates.

(g) Franchisor reserves the right to collect a "Marketing and Promotion Fee" of 1% of Franchisee's monthly Gross Revenues from Franchisee. Marketing and Promotion Fees will be due and payable on the 10th day of the month following the calendar month in which applicable Gross Revenues were received, and to be accompanied by a marketing report in the form prescribed by Franchisor.

4.4 Electronic Funds Transfer.

Franchisor may require payment of the Royalty and Marketing and Promotion Fees and any other fees owed by Franchisee to Franchisor under this Agreement either by electronic funds transfer ("EFT") through the Automated Clearing House ("ACH") electronic network for financial transactions (or such other automatic payment mechanism Franchisor may designate) directly from Franchisee's account into Franchisor's operating account or by credit card with Franchisor's prior approval. Franchisee must execute or re-execute and deliver to Franchisor bank-required pre-authorized check forms and other instruments or drafts to enable Franchisor to draw directly from Franchisee's bank account all fees payable under the terms of this Agreement. Franchisee must also, in addition to those terms and conditions set forth in the Confidential Operations Manual, maintain a single bank account for such payments (with overdraft protection from Franchisee's operating account) and must maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee must not alter or close such account except upon Franchisor's prior written approval. Franchisee's failure to implement such EFT system in strict accordance with Franchisor's instructions will constitute a material default of this Agreement.

4.5 Fees Fully Earned; No Setoffs.

All payments made by Franchisee to Franchisor pursuant to this Article 4 are fully earned and non-refundable when paid to Franchisor. All payments to be made by Franchisee to Franchisor will be without setoff, deduction, defense, counterclaim or claims in recoupment.

4.6 Late Fee; Interest on Delinquent Payments.

(a) Any payments for fees required under this Agreement not received by Franchisor when due will be a material breach of this Agreement and will be subject to a late charge of 5% of the amount past due. In connection therewith, Franchisor and Franchisee agree that the late charge is a reasonable and good faith estimate by Franchisor and Franchisee of such costs because (i) as a result of any such late payment, Franchisor will incur certain costs and expenses including, without limitation, administrative costs, collection costs, loss of interest, and other direct and indirect costs in an uncertain amount; and (ii) it would be impractical or extremely difficult to fix the exact amount of such costs in such event.

(b) All delinquent amounts will bear interest from the date payment was due at an annual percentage rate ("APR") of 18% (unless interest rates on delinquent payments in the state in which Franchisee's Outlet is located are limited by law to a lesser percentage, in which case that APR will apply), and Franchisee must reimburse Franchisor immediately upon demand for all reasonable costs of collection relating to delinquent amounts.

4.7 No Accord or Satisfaction.

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt will be applied against the earliest amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to

Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be construed as an accord or satisfaction.

4.8 CPI Adjustments.

Any stated dollar amount in this Agreement may be adjusted in Franchisor's discretion based on changes in the CPI since the Effective Date.

4.9 Other Payments.

In addition to all other payments provided herein, Franchisee shall pay to Franchisor or its affiliates or designees, as applicable, promptly when due: (i) All amounts advanced by Franchisor or which Franchisor has paid, for which Franchisor has become obligated to pay on behalf of Franchisee for any reason; and (ii) all amounts due for any reason, including on account of purchase of goods, supplies or services relating to the franchised outlet.

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term.

The initial term of this Agreement (applicable solely to the Outlet franchised hereunder) commences on the Effective Date and expires on the 10th anniversary of the Opening Date, unless sooner terminated pursuant to the provisions of this Agreement.

5.2 Renewal Terms.

(a) Upon written notice delivered to Franchisor not less than 180 days before the end of the existing term hereof, Franchisee may renew its rights granted under this Agreement for additional two 5-year terms commencing on the expiration date of the previous term, subject to the provisions of sections 5.2(b) through 5.2(g) below.

(b) At the time of renewal, Franchisee must (i) then be solvent (which means that Franchisee is able to pay its debts as and when promised by Franchisee and that Franchisee has assets that are greater than its debts), (ii) not have abandoned the Outlet, (iii) not be operating the Franchise in a manner that endangers public health or safety or materially harms the RAKKAN brand or reputation, (iv) not be in default under this Agreement and (v) not have knowingly submitted false or incomplete reports to Franchisor during the initial term.

(c) Notwithstanding section 5.2(a) above, Franchisor is not obligated to renew Franchisee's rights granted under this Agreement for an additional term if one or more of the following applies or occurs:

(i) Franchisee gives Franchisor written notice of Franchisee's intention not to renew this Agreement at least 180 days before the expiration of the initial term or any successor term.

(ii) During the 180 days prior to expiration of the Franchise, Franchisor permits Franchisee to sell the rights to operate the Franchised Business at the Outlet to a purchaser who meets Franchisor's then current requirements for granting new Franchises or (if Franchisor is not granting a significant number of new Franchises) the then current requirements for granting renewal Franchises.

(iii) Termination of this Agreement would be permitted pursuant to sections 13.1 or 13.2 hereof.

(iv) Franchisee and Franchisor agree not to renew the Franchise.

(v) Franchisor withdraws from distributing Franchisor's products or services through Franchises in the geographic market served by Franchisee, provided that:

(A) Upon expiration of the Franchise, Franchisor agrees not to seek to enforce any covenant of the non-renewed franchisee not to compete with Franchisor or its franchisees; and

(B) The failure to renew is not to convert the business conducted by Franchisee pursuant to this Agreement to operation by Franchisor's employees or agents for Franchisor's own account.

(vi) At the time of renewal, Franchisee, its officers or any Principal Equity Owner has been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in Franchisor's reasonable judgment, to have a materially adverse effect on the Marks, the System or the goodwill associated with the Marks or System.

(vii) Franchisor and Franchisee fail to agree to changes or additions to the terms and conditions of this Agreement, if such changes or additions would result in renewal of this Agreement on substantially the same terms and conditions on which Franchisor is then customarily granting renewal franchises, or if Franchisor is not then granting a significant number of renewal Franchises, the terms and conditions on which Franchisor is then customarily granting original franchise agreements. Franchisor may give Franchisee written notice of a date which is at least 30 days from the date of such notice, on or before which a proposed written agreement of the terms and conditions of the renewal Franchise must be accepted in writing by Franchisee. Such notice, when given not less than 180 days before the end of the Franchise term, may state that in the event of failure of such acceptance by Franchisee, the notice will be deemed a notice of intention not to renew at the end of the Franchise term.

(viii) Franchisee has (i) received two or more notices of default during any 12-month period during the existing term of this Agreement, or (ii) Franchisee has received more than 10 notices of default throughout the existing term of this Agreement, whether or not Franchisee cured those defaults.

(d) As a condition to renewing Franchisee's rights, duties and obligations hereunder, not later than 90 days before the end of the term that is expiring, Franchisee and Franchisor must sign Franchisor's then-current standard Franchise Agreement modified by addendum to remove provisions that only apply to a new franchisee, such as initial franchise fee and initial training requirements (“Renewal Franchise Agreement”). **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS THAT ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT.** The Renewal Franchise Agreement, when executed, will supersede this Agreement.

(e) At the time of renewal, Franchisee must have satisfied all monetary obligations owed by Franchisee to Franchisor and to Franchisor's affiliates and all other material obligations under this Agreement, and Franchisor may examine Franchisee's books and records to verify compliance with this requirement anytime during normal business hours within 60 days of Franchisee's renewal date.

(f) Before or not later than 90 days after Franchisee's execution of a Renewal Franchise Agreement for an additional term, Franchisee must make such physical modifications to Franchisee's Outlet as are reasonably necessary so that they are substantially consistent with the then current System requirements, and so that they can accommodate new RAKKAN Products, if any. Franchisee must also bring Franchisee's Outlet and equipment, materials and supplies into compliance with the standards then applicable to new RAKKAN franchises.

(g) When Franchisee signs the Renewal Franchise Agreement, it must pay Franchisor a “Renewal Fee” of $5,000. This Renewal Fee is subject to adjustment based on changes in the CPI since the Effective Date.

5.3 Month to Month Extension; Longer Notice of Expiration Required by Law.

(a) At Franchisor's option, to be exercised in Franchisor's sole and absolute discretion, if the renewal procedures described in section 5.2 above have not been completed, or in lieu of formal renewal of the Franchise, Franchisor may extend this Agreement on a month-to-month basis by notifying Franchisee in writing. Said month-to-month extension will continue until Franchisor gives Franchisee at least 30 days’ written notice that the Franchise rights must be formally renewed in accordance with section 5.2 or the Agreement will expire and be terminated.

(b) If applicable law requires Franchisor to give a longer period of notice to Franchisee than herein provided prior to the expiration of the initial term or any successor term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement will remain in effect on a month-to-month basis only until Franchisee has received such required additional notice.

VI. TRAINING AND ASSISTANCE

6.1 Initial Training.

(a) It is of paramount importance that Franchisee's General Manager and Principal Equity Owners (the General Manager may be a Principal Equity Owner) understand the Franchised Business and the System, and that Franchisee's General Manager have been trained how to operate the Franchised Business. Accordingly, Franchisor will provide to Franchisee's General Manager and at least one of Franchisee's Principal Equity Owners, an initial training program, providing an orientation to the System and instruction on how to operate the Franchised Business (collectively, "Initial Training"). Franchisee may not open and operate the Franchised Business until Franchisee's General Manager and designated Principal Equity Owner satisfactorily complete Initial Training. Franchisee acknowledges and agrees that Franchisor will solely determine whether Franchisee and its General Manager and designated Principal Equity Owner satisfactorily complete Initial Training.

(b) If this Agreement is for an additional Outlet opened under an Area Development Agreement, the General Manager of that Outlet must have a background in the restaurant business that is satisfactory to Franchisor or take the Initial Training program. Franchisee acknowledges and agrees that Franchisor will solely determine whether or not the General Manager and other required trainees have satisfactorily completed Initial Training or have a sufficient background in the restaurant business.

(c) The failure of Franchisee's designated General Manager to complete Initial Training to Franchisor's satisfaction will be grounds for termination of this Agreement; provided, however, that before this Agreement is so terminated, Franchisee's General Manager who fails to successfully complete Initial Training will have the opportunity to either retake the Initial Training or Franchisee may designate one replacement for the Initial Training program. Franchisee shall pay Franchisor 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. Franchisor shall determine which course will be appropriate for the General Manager at its sole discretion. When Franchisee opts to send a replacement General Manager, a 15-day training course is mandatory, and Franchisee shall pay Franchisor $3,000 for such replacement Initial Training.

(d) Franchisor will determine the contents and manner of conducting the Initial Training program in Franchisor's discretion, however, the training course will be structured to provide practical training in RAKKAN Products and the implementation and operation of the Franchised Business and may include such topics as RAKKAN procedures, standards, marketing and customer service techniques, reports and equipment maintenance.

(e) Franchisee shall pay Franchisor the Initial Training fee of $10,000 upon full execution of this Agreement for the Initial Training program provided up to three participants including Franchisee's initial General Manager and Franchisee's Principal Equity Owners and other employees. Franchisee may be required to pay Franchisor a fee of $1,500 for each additional attendee of Initial Training, and Franchisor has the sole right to approve any additional attendee of Initial Training.

(f) All costs and expenses (including travel, hotel and meal) of Franchisee's attendees of Initial Training will be Franchisee's sole responsibility. All persons attending Initial Training on Franchisee's behalf must have a demonstrable relationship to the management and operation of the Franchised Business.

6.2 Training and Assistance During and After Opening.

(a) Franchisor shall provide, at its expense, the services of a trainer on-site at Franchisee's first Outlet for approximately 3 days to assist in the opening of the Outlet to the public.

(b) After Franchisee opens the Franchised Business, Franchisor will provide Franchisee with access to, list Franchisee's Outlet on, and integrate other information about Franchisee's Outlet into, the RAKKAN website, which may include access to a copy of the Confidential Operations Manual (any future updates or modifications to Franchisee's presence on the RAKKAN website may be at Franchisee's cost and expense).

(c) After Franchisee opens the Franchised Business, Franchisor will provide Franchisee with telephone and e-mail assistance at Franchisee's request or otherwise as Franchisor deems necessary to instruct in all phases of the operation of the Franchised Business. Franchisor's representatives may visit Franchisee's Outlet from time to time, but the frequency and duration of any such visits by Franchisor's representatives is in Franchisor's sole discretion. In addition, representatives of Franchisor will be available on an ongoing basis at Franchisor's national headquarters for consultation and guidance with respect to the operation and management of the Franchised Business. Other than providing Franchisee general guidelines for tax and federal employment compliance in the

Confidential Operations Manual, Franchisor, at its option, may provide Franchisee with assistance in contracting with agents or hiring employees.

(d) After Franchisee opens its Outlet, and upon reasonable notice, Franchisor may require attendance of Franchisee's designated personnel at seminars, conferences or mandatory meetings (described in section 6.3 below) that Franchisor deems to be relevant or appropriate to the operation of the Franchised Business.

(e) Franchisor may but is not required to make available to Franchisee optional staff training courses conducted at Franchisor's designated location, coaching and business mentoring programs, seminars, conferences, or other programs, in a suitable location selected by Franchisor. Franchisor may, at its discretion, charge Franchisee a separate fee of up to $1,000 per person for a 5-day or $2,000 per person for a 10-day course for such training. Upon Franchisee's request, Franchisor may, at its option, send Franchisor's employee to Franchisee's Outlet to provide additional training. Franchisee shall pay Franchisor $500 per day and reimburse expenses incurred by Franchisor in connection with provision of such training including but not limited to transportation cost and lodging.

(f) In addition to updates to the Confidential Operations Manual, Franchisor may provide Franchisee with additional materials relating to the Franchised Business. Franchisor may also from time to time make available to Franchisee for purchase other materials relevant to the System and the Franchised Business.

(g) All costs and expenses (including travel, hotel and meal) of Franchisee's attendees at any post-opening training, conferences or meetings will be Franchisee's sole responsibility. All persons attending post-opening training, conferences or meetings on Franchisee's behalf must have a demonstrable relationship to the management and operation of the Franchise.

(h) If there is a Transfer of the Franchise (which must be done in full compliance with section 12.2 of this Agreement), the transferee must be trained by Franchisor as a condition of Franchisor's consent to such Transfer. The transferred Franchise may not be opened or re-opened by the transferee until Franchisor accepts the transferee in writing as being qualified to operate the Franchise and Franchisor has otherwise consented to the Transfer in accordance with this Agreement.

6.3 Mandatory Meetings.

Not more often than once each year, Franchisor may conduct a system-wide or national meeting to discuss RAKKAN business activities or other matters relating to the Franchised Business. Attendance of a Principal Equity Owner at these meetings will be mandatory (and is highly recommended for Franchisee's General Manager and Franchisee's other Principal Equity Owners). Franchisor may limit the number of Franchisee's attendees at these meetings. Franchisee must pay the cost of travel, hotel and meal expenses for Franchisee's attendees at these mandatory meetings. The mandatory meetings referenced in this section 6.3 are in addition to any voluntary convention or sales conference that may be coordinated by Franchisor.

6.4 Proprietary Materials.

At Initial Training and other training programs and conferences, Franchisor may provide Franchisee with Proprietary Information, as well as training materials, training curricula and related materials for Franchisee's use in training Franchisee's staff. All such items are and will remain Franchisor's sole and exclusive property. To the extent that Proprietary Information is furnished in a printed "hard" copy rather than electronically, Franchisee will only grant authorized personnel access to the Proprietary Information and take adequate precautions to ensure that the Proprietary Information is kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Proprietary Information is furnished in electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will immediately notify Franchisor if any part of its Proprietary Information that is maintained in a tangible media is lost or destroyed for any reason. Franchisee must not, nor allow its employees or others to, copy, reproduce, disseminate or otherwise reveal to third parties any Proprietary Information and related materials, without Franchisor's express prior written consent.

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS

7.1 Franchisee's Outlet.

The Franchised Business may only be operated from Franchisee's Outlet. If Franchisee's Outlet has not been identified when Franchisee signs this Agreement, the exact location of Franchisee's Outlet will be inserted into

a restated Exhibit 1 attached to this Agreement as soon as its location has been determined. To promote the orderly and timely service of RAKKAN customers, Franchisee may not cater or deliver RAKKAN Products outside Franchisee's Territory without Franchisor's prior written consent. Due to landlord obligations under other leases or other restrictions imposed by government authorities, not all RAKKAN Products may be available to be offered to customers at some Outlets (including Franchisee's Outlet).

7.2 Building Out Franchisee's Outlet.

(a) Premises acceptable to Franchisor where Franchisee's Outlet will be operated should be located and secured by Franchisee and reviewed and consented to by Franchisor. Within 15 days after Franchisee proposes a site for the Outlet, Franchisor will review and either consent to or disapprove the location (and if Franchisor disapproves, Franchisee must promptly propose an alternative location).

(b) Franchisee must configure and equip an Outlet (and commence operation of the Franchised Business there) after Franchisor approves the Outlet premises, using architects, project managers, contractors, subcontractors, architectural plans (the architectural plans provided by Franchisor's architect are prepared as a "work for hire" and as such Franchisor is the owner of such plans and asserts a copyright regarding such plans) and key equipment suppliers designated by Franchisor (or one of Franchisor's affiliated companies) or otherwise reasonably acceptable to Franchisor. If after Franchisee has located and secured suitable premises (that Franchisor consents to) for the Outlet, Franchisee has not commenced operation of the Franchised Business within one year after the Effective Date, Franchisor may terminate this Agreement effective on written notice. If this Agreement is for a second or subsequent Outlet owned by Franchisee under the terms of an ADA Franchisee executed, Franchisee must commence operation of the Franchised Business at the Outlet within the time specified in the Development Schedule included in the ADA. Franchisor may give Franchisee an extension of time to open the Outlet beyond the mandatory dates specified above in this section 7.2(b) if Franchisor deems in its sole discretion that Franchisee has made a diligent effort to open but was unable to do so due to reasons beyond Franchisee's reasonable control.

(c) Franchisor may assist Franchisee in the site selection process and Franchisor reserves the sole right of final review and consent to any location of the Outlet. Franchisor uses available demographic information to help Franchisee evaluate the site and the area in which it is located, and analyze area income figures, traffic patterns, visibility, population density, competition, zoning, parking, accessibility and other related, relevant circumstances. Franchisor's final review and consent to the location of Franchisee's Outlet is not a guarantee that a RAKKAN business can be successfully operated there or anywhere else.

(d) Before Franchisee signs any lease for its Outlet, Franchisee is required to deliver to Franchisor a complete copy of the proposed final form of the lease. Within five business days after Franchisor's receipt of the proposed final form of lease, Franchisor will deliver to Franchisee written notice that the lease complies with the requirements of this Franchise Agreement ("Confirmation Notice") or a statement that the lease terms require revisions ("Correction Notice"). If Franchisor delivers a Correction Notice, Franchisee is required to deliver a corrected form of the lease to Franchisor within five business days after Franchisee receives the Correction Notice. Franchisee cannot sign any lease until it has received a Confirmation Notice. Franchisee is required to deliver to Franchisor a fully executed copy of the lease, including all exhibits and addendums.

(e) Franchisor will provide, at no cost, Franchisee with a Master Design for the Outlet. At Franchisee's sole expense, Franchisee must employ architects, designers, engineers or others designated or approved by Franchisor to complete, adapt, modify or substitute the sample plans and specifications for the Outlet. Franchisee is required to retain Franchisor's architect for preparation of a schematic plan and review of final plans and specifications. For such services, Franchisee shall pay Franchisor's architect $4,000 to $8,000. The Franchisee's architect must submit a complete set of final plans and specifications to Franchisor before commencing construction of the Outlet. Franchisor will review these plans and specifications promptly and accept them as stated or provide Franchisee with Franchisor's comments on the plans and specifications. Franchisor has complete control over the design of the Outlet and Franchisee may not modify the design or choose third party designers without Franchisor's express written consent. In addition, Franchisee may not commence construction of the Outlet until Franchisor consents in writing to the final plans, specifications and contractors to be used in constructing the Outlet. Franchisor will consult with Franchisee, to the extent Franchisor deems necessary, on the construction and equipping of the Outlet (and Franchisor may require the Outlet to have a certain color scheme and decorative trade dress). But it is and will remain Franchisee's sole responsibility to diligently construct, equip and otherwise make ready, and then open the Outlet. Franchisee is responsible, at Franchisee's expense, for obtaining all zoning classifications, permits, clearances, certificates of occupancy and center clearances which may be required by governmental authorities and to comply with all covenants, conditions, easements, and restrictions of record.

(f) Franchisee must use licensed general contractors, designers, vendors and architects accepted by Franchisor before performing construction work at Franchisee's Outlet. Franchisor expressly disclaims any representation or warranty of the quality of any goods or services provided by architects, contractors, or any other persons or entities, which Franchisor may refer to Franchisee, including, but not limited to any warranty as to merchantability or fitness for any particular purpose. Franchisor will not be, for any reasons, responsible for delays in the construction, equipping or decoration of the Outlet or for any loss resulting from the Outlet design or construction. Franchisor must approve in writing any and all changes in the Outlet plans prior to construction of the Outlet or the implementation of such changes.

(g) Franchisor must have access to Franchisee's Outlet while work is in progress. Franchisor may make video records of construction in process and may require such reasonable alterations to or modifications in the construction of the Outlet as Franchisor deems necessary. Franchisee's failure to promptly commence the design, construction, inventorying, equipping and opening of the Outlet with due diligence will be grounds for the termination of this Agreement. And if Franchisee does not complete the build out of the Outlet in a reasonable time, Franchisor can complete the build out, all expenses of which will then be paid or reimbursed by Franchisee. Before opening of the Outlet and prior to final inspections by any governmental agency, Franchisor will complete a final "walk through" inspection of the Outlet and issue a written consent to open. Any deficiencies noted by Franchisor as a result of this inspection must be corrected by Franchisee within 30 days or this Agreement may be terminated without any liability to Franchisor.

(h) Unless otherwise agreed to in writing by Franchisee and Franchisor, although Franchisor will assist Franchisee with site selection, Franchisee has the sole responsibility for locating, securing, and obtaining suitable premises for Franchisee's Outlet. Franchisee and Franchisee's landlord may be required by Franchisor to execute a rider to Franchisee's lease, or other agreement or written understanding that (i) grants Franchisor an option to assume Franchisee's position as lessee under the lease for the Outlet premises if Franchisee is in material default of either the lease for the Outlet premises (including an obligation of the landlord to notify Franchisor if Franchisee is in such default) or this Agreement, (ii) grants Franchisor the right to assign the lease to a *bona fide* franchisee of the System after assuming the lease, and (iii) requires the landlord to fully cooperate with Franchisor in completing de-identification of the Outlet if this Agreement is terminated or expires without being renewed and Franchisor does not exercise its option to assume the lease for the Outlet premises.

(i) Franchisor has the right to regularly inspect Franchisee's Outlet and any other site where Franchisee conducts the Franchised Business.

7.3 Initial Inventory, Fixtures and Equipment.

(a) Within the timeframes that Franchisor specifies before the Opening Date, Franchisee must also order from (and if necessary pre-pay to) Franchisor, or other designated or approved suppliers, (i) the initial supplies and accessories necessary for Franchisee to provide RAKKAN Products to Franchisee's customers, (ii) number of pieces of required fixtures and equipment, and (iii) other proprietary supplies, items and accessories as specified in the Confidential Operations Manual, with delivery scheduled for not later than 10 business days before the Opening Date. Thereafter, Franchisee must buy replacement or additional inventory of RAKKAN Products, fixtures, equipment, accessories and other authorized items only from Franchisor, or other designated or approved suppliers.

(b) Franchisee must also purchase apparel containing the Marks, other materials containing the Marks, and any other signs containing the Marks from Franchisor, or other designated or approved suppliers, with delivery scheduled for not later than two weeks before the Opening Date.

(c) Franchisee must also purchase supplies, paper goods, services, packaging, forms and other products and supplies to constitute Franchisee's complete initial inventory of such items as specified in the Confidential Operations Manual from Franchisor, or other designated or approved suppliers, with delivery scheduled for not later than 10 business days before the Opening Date.

(d) Franchisor reserves the right to derive and receive revenues, rebates or other material consideration as a result of required purchases by System franchisees, and to retain for itself or use such revenues, rebates or other material consideration as Franchisor deems appropriate.

7.4 Marketing and Advertising Boundaries.

Franchisee may not directly promote, advertise or otherwise market the Franchised Business outside the boundaries of the Territory or other advertising boundary that Franchisor designates, except with Franchisor's prior written

consent. The marketing and advertising boundaries are determined by Franchisor and may be changed by Franchisor or overlap with the territories of other franchised Outlets as market conditions or type of media warrant, all in Franchisor's sole discretion. Such marketing and advertising boundaries may exceed the Territory provided herein, in Franchisor's sole discretion.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 Operational Requirements.

(a) At all times, and subject to applicable state law and regulations, Franchisee must be, or employ, a General Manager who will devote their entire time during normal business hours, as defined in the Confidential Operations Manual, to the management, operation and development of the Franchised Business. The General Manager must ensure that Franchisee fulfills its obligations to Franchisee's customers in a timely and professional manner and he or she may not engage in any other business requiring his or her active participation during normal business hours. If the General Manager is not a Principal Equity Owner, at least one Principal Equity Owner must directly oversee or participate personally in the operation of the Outlet.

(b) Franchisee understands and agrees that the maintenance of the quality of the RAKKAN Products offered by each RAKKAN franchisee is of primary importance to Franchisor to properly promote and protect the public image of these goods and services, and to protect the Marks under which RAKKAN franchisees are licensed to operate. Franchisee therefore agrees to only provide at its Outlet RAKKAN Products that are properly prepared in accordance with Franchisor's confidential recipes and procedures. Franchisee must only sell to customers at Franchisee's Outlet RAKKAN Products and related products and accessories supplied by Franchisor, designated vendors and/or approved suppliers for resale by Franchisee at Franchisee's Outlet in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by Franchisor). Franchisee must only operate the Franchised Business at Franchisee's Outlet, in strict accordance with the procedures set forth in the Confidential Operations Manual or otherwise provided to Franchisee by Franchisor in writing. Franchisee must always maintain an adequate level of supplies and required inventory to properly operate Franchisee's Outlet. Franchisee must use the standard signs and formats that Franchisor prescribes in operating the Outlet and conducting the Franchised Business.

(c) To protect and maintain the integrity, reputation and goodwill of the System and the Marks, Franchisor requires that Franchisee comply with the methodology Franchisor prescribes in providing RAKKAN Products to customers. To enhance uniformity in the delivery of goods and services to retail customers by Franchisor's franchisees and the strength of Franchisor's Marks in inter-brand competition, and subject to applicable antitrust laws, Franchisor may recommend retail prices for specific RAKKAN Products and other products and services Franchisor authorize for sale at Franchisee's Outlet. If Franchisor does so, Franchisee may not advertise or promote (whether by telephone, printed materials or any other media, including, without limitation, social media) retail prices that are inconsistent with these recommended prices.

(d) Franchisee's Outlet must be open during the normal business hours that apply to the premises where the Outlet is located. The obligation to remain open will not apply if Franchisee is subjected to an event of Force Majeure.

(e) Franchisee must promptly satisfy any *bona fide* indebtedness that Franchisee incurs in operating the Franchised Business. Contractors, subcontractors, vendors and suppliers providing services to the Franchised Business must be paid in accordance with the terms of their agreements with Franchisee.

(f) Franchisee must comply with all health, administrative and governmental regulations relating to the storage, sale and shipment of RAKKAN Products. Franchisee must notify Franchisor in writing within 10 days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect Franchisee's operations at the Outlet or Franchisee's ability to meet its obligations hereunder.

(g) Upon the occurrence of any event that occurs at the Outlet or in the Territory that has caused or may cause harm or injury to customers or employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or Franchisor or its affiliates, Franchisee must immediately inform Franchisor's designated contact person as instructed in the Confidential Operations Manual by telephone, e-mail, text or other electronic

messaging medium authorized by Franchisor for this purpose. Franchisee must cooperate fully with Franchisor with respect to Franchisor's response to an incident described in this section 8.1(g).

(h) If there is any *bona fide* dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, Franchisee may not permit a tax sale or seizure by levy or similar writ or warrant, or attachment by a creditor to occur against the premises of the Outlet or any of its improvements.

(i) Franchisee may not engage in any co-branding in the Outlet or otherwise in connection with the Franchised Business except with Franchisor's prior written consent. Franchisor is not required to approve any co-branding chain or arrangement except in Franchisor's discretion, and only if Franchisor recognizes that co-branding chain as an approved co-brand for operation within the System. “Co-branding” includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within Franchisee's Outlet or the Franchised Business Franchisee operate in Franchisee's Territory or is adjacent to Franchisee's Outlet and operated in a manner which is likely to cause the public to perceive it to be related to the Outlet and Franchised Business licensed to Franchisee hereunder.

(j) Franchisee must not accept cash payments from customers at the Outlet, which are not reported to Franchisor or incorrectly reported. If this occurs, Franchisor can declare Franchisee in material default of this Agreement for fraud and subject this Agreement to immediate termination under section 13.2(a)(x) hereof.

8.2 Confidential Operations Manual.

(a) Franchisee must operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which will be provided to Franchisee. To the extent that the Confidential Operations Manual is furnished in a printed “hard” copy rather than electronically, Franchisee will only grant authorized personnel access to the Confidential Operations Manual and take adequate precautions to ensure that the Confidential Operations Manual is kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Confidential Operations Manual is furnished in electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will promptly notify Franchisor if any part of the Confidential Operations Manual that is maintained in a tangible media is lost or destroyed for any reason.

(b) Franchisee must keep the Confidential Operations Manual confidential and current, and the master copy of the Confidential Operations Manual maintained by Franchisor at its principal office will control in the event of a conflict related to the contents of the Confidential Operations Manual. Franchisor has the right to modify the Confidential Operations Manual at any time by the addition, deletion or other modification of the provisions thereof. All such additions, deletions or modifications are effective on the next business day after the digital copy maintained on Franchisor’s website is changed.

(c) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated RAKKAN franchisees. As modified by Franchisor from time to time, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as modified or amended by Franchisor from time to time, will not alter Franchisee’s fundamental status and rights under this Agreement. If there is any discrepancy or dispute about the version of the Confidential Operations Manual that Franchisee may have printed and maintain, the master copy of the Confidential Operations Manual that Franchisor maintains at its headquarters and available on Franchisor’s website will be the controlling version and will supersede all prior versions.

(d) If Franchisee loses printed portions of, or allows unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to Franchisee by Franchisor, Franchisee must request a replacement within three business days, and Franchisee will be deemed to be in material breach of this Agreement and all other agreements Franchisee has with Franchisor and its affiliated entities.

(e) Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee must immediately return to Franchisor any printed portions of the Confidential Operations Manual then in Franchisee’s possession. Except as specifically permitted by Franchisor, at no time may Franchisee, or Franchisee’s employees or agents, (i) make, or cause to be made, any copies or reproductions of all or any portion of the Confidential Operations Manual, (ii) give online access to the Confidential Operations Manual to unauthorized persons, or (iii) disclose any part of the Confidential Operations Manual to any other person except Franchisee’s authorized employees and agents when required in the operation of the Franchised Business. Franchisee must also

permanently erase anything relating to Franchisor's Trade Secrets or other Proprietary Information from any computers and other media storage devices Franchisee retains after expiration, cancellation or termination of this Agreement.

8.3 Schedule of Authorized Products and Standards of Operation.

(a) A standard schedule of authorized RAKKAN Products is required by Franchisor and must be used by Franchisee. Any changes, additions or deletions in the schedule of authorized RAKKAN Products to be used at the Outlet must be approved in writing by Franchisor prior to its use by Franchisee. Franchisee agrees to indemnify and hold Franchisor and Franchisor's affiliated entities, equity owners, managers, officers, employees and agents harmless from and against any and all loss, damage, cost or expense, including reasonable attorney's fees, resulting from any change Franchisee makes in the standard schedule of RAKKAN Products and other authorized products or for any deviation of Franchisee's products and services from the descriptions contained in Franchisor's approved schedule of authorized RAKKAN Products. Franchisor may change the standard schedule of authorized RAKKAN Products at any time.

(b) Franchisor is entitled to prescribe standard uniforms and attire for all of Franchisee's RAKKAN personnel in order to enhance the customer experience at the Outlet and to protect Franchisor's reputation for quality service. Franchisee is required to obtain such uniforms and attire only from Franchisor or from other approved manufacturers or distributors.

(c) Franchisee agrees that Franchisor, Franchisee and everyone else involved in the System benefits from the maintenance of the highest standards of uniformity, quality, similar appearance and prominent display of the Marks at Franchisee's Outlet and elsewhere in Franchisee's Territory. Therefore, Franchisee agrees to maintain the uniform standards of quality, appearance and display of the Marks in strict accordance with this Agreement, the architectural plans and the Confidential Operations Manual as it may be revised from time to time, and as Franchisor may otherwise direct in writing. In order that Franchisor may establish and maintain an effective network of franchisees, Franchisee specifically agrees it will not display the Marks except in the manner Franchisor authorizes.

8.4 Point of Sale System.

(a) Franchisee must use and maintain the computerized point of sale cash collection system as specified in the Confidential Operations Manual or otherwise by Franchisor in writing for use in connection with the Outlet (the "POS System"). The POS System must be connected at all times to a dedicated, state of the art Internet or other high-speed communications medium specified or approved by Franchisor, and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, in the manner designated by Franchisor in the Confidential Operations Manual or otherwise by Franchisor in writing for maintaining the POS System. The POS System must be electronically linked to Franchisor. Franchisor may remotely access the POS System on a daily or other basis at such times and in such manner as determined by Franchisor, with or without notice, and to retrieve such transaction information including sales, sales mix, usage and other operations data as Franchisor deems appropriate. Franchisee must ensure that only Franchisee's General Manager or other adequately trained employees identified to and approved by Franchisor will be allowed to conduct transactions using the POS System. Within a reasonable time upon Franchisor's request, Franchisee must apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to access and purchase RAKKAN Products via such procedure, as specified by Franchisor. Franchisor may require Franchisee to update, upgrade or replace the POS System from time to time upon written notice, provided that Franchisee will not be required to replace the POS System any more frequently than once every three years.

(b) Franchisor may designate that certain computer software must be used in the operation of the POS System and/or Computer System ("Designated Software"). And if so, Franchisee must then license or sublicense such Designated Software from Franchisor's designee and enter into a software license agreement on the software licensor's then-current form and pay any related license or maintenance fees. From time to time, Franchisee may also be required to purchase any upgrades, enhancements or replacements to the Designated Software. Franchisee must incorporate any required modifications or additions within 30 days after receiving written notice from Franchisor, unless a longer time period is stated in the notice.

(c) Franchisee may not install, and must prohibit others from installing, unauthorized software on the POS System. Franchisee must take all commercially reasonable measures to prevent any malicious code, malware or other unauthorized code or software to be installed on, or transmitted by, the POS System. Franchisee must communicate to Franchisor all passwords, access keys and other security devices or systems necessary to permit Franchisor to access the POS System and obtain the data Franchisor is permitted to obtain under this Agreement,

including accounting, sales, marketing, client and other information to assist in and support the operation of the Franchised Business.

(d) All information on the POS System, including but not limited to customer data and contact information, is Franchisor's property and Franchisee shall not use this information in any way other than for the Franchised Business, including to market other products not constituting RAKKAN Products directly to other persons.

8.5 Maintenance, Upgrades and Refurbishments to the Outlet.

(a) Franchisor requires that Franchisee maintain, and from time to time refurbish, the Outlet to conform to the then-current Trade Dress and color schemes applicable for an Outlet. Such maintenance and refurbishment may require expenditures by Franchisee on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Outlets, or to accommodate new RAKKAN Products. In this regard, the following requirements are applicable:

(i) Franchisee must maintain all equipment and furnishings used at the Outlet in good working order and make repairs or perform maintenance on as needed basis. And Franchisee must immediately and completely resolve to Franchisor's satisfaction any maintenance deficiencies Franchisor identifies.

(ii) Franchisee must make all upgrades to equipment and any technology used in Franchisee's Outlet that Franchisor may require.

(iii) Franchisor may periodically require Franchisee to update the Trade Dress used at Franchisee's Outlet. Such updates will be contained in the Confidential Operations Manual or otherwise provided to Franchisee in writing. Such updates may require Franchisee to install new color schemes, logos, signage or other visual elements. Franchisor anticipates that such Trade Dress updates will be required no more frequently than once every five years.

(b) Franchisor will only require the types of modifications and expenditures described herein where there is good cause. In this context, "good cause" means that Franchisor make a good faith determination that Franchisee's Outlet is substantially inconsistent with prevailing System-wide standards (for example, either in terms of the Trade Dress, the overall condition of the Outlet, or the type, quality or condition of the equipment needed to adequately prepare, promote and sell RAKKAN Products) and that, as a result of its appearance or condition, Franchisee's Outlet is either (i) not adequately positioned to promote and sell RAKKAN Products as then required or (ii) damaging the integrity of the RAKKAN image, brand and/or Marks.

8.6 Relocation of Franchisee's Outlet.

(a) If Franchisee desires to relocate the Outlet, Franchisee may do so provided that not less than 90 days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation in which event notice must be given as soon as possible), Franchisee makes a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location.

(b) Within 20 business days after receiving Franchisee's request, Franchisor will either approve or disapprove in writing such closure or relocation in Franchisor's reasonable discretion. If Franchisor disapproves a proposed relocation, Franchisee may request an alternative proposed new location pursuant to this section 8.6.

(c) Franchisee and the landlord may be required to execute a rider to Franchisee's lease for the new location for the Outlet (or other agreement or written understanding) that (i) grants Franchisor an option to assume Franchisee's position as lessee under the lease for the relocated Outlet premises if Franchisee is in material default of either the lease for the relocated Outlet premises (including an obligation of the landlord to notify Franchisor if Franchisee is in such default) or this Agreement, (ii) grants Franchisor the right to assign the lease to a *bona fide* franchisee of the System after assuming the lease, and (iii) requires the landlord to fully cooperate with Franchisor in completing de-identification of the relocated Outlet if this Agreement is terminated or expires without being renewed and Franchisor does not exercise its option to assume the lease for the relocated Outlet premises.

(d) Before Franchisee signs any lease for the relocated Outlet premises, Franchisee is required to deliver to Franchisor a complete copy of the proposed final form of the lease. Within five business days after Franchisor's receipt of the proposed final form of lease, Franchisor will deliver to Franchisee a Confirmation Notice or Correction

Notice. If Franchisor delivers a Correction Notice, Franchisee is required to deliver a corrected form of the lease to Franchisor within five business days after Franchisee receives the Correction Notice. Franchisee cannot sign any lease until it has received a Confirmation Notice. Within 10 days after receiving a Confirmation Notice, Franchisee is required to deliver to Franchisor a fully executed copy of the lease, including all exhibits and addendums.

8.7 Record Keeping and Reporting Requirements.

(a) Franchisee agrees to implement and thereafter use specific accounting software as may be designated by Franchisor to track, account for and report on the financial performance of the Franchised Business. On a monthly basis (on the last business day of each calendar month), Franchisee must submit to Franchisor an unaudited profit and loss statement, as well as other financial or statistical reports, records, statements or information that Franchisor reasonably deems to be required or desirable as stated in the Confidential Operations Manual or otherwise in writing.

(b) Within 90 days after the end of each of Franchisee's fiscal years (or any permitted extension for filing same), Franchisee must submit to Franchisor a copy of the Schedule C or equivalent portion of Franchisee's federal tax return relating to Franchisee's operation of the Franchised Business. Franchisor agrees to maintain the contents of the Schedules C (or equivalent portion) of Franchisee's tax returns in strict confidence and not to disclose those to any third party without Franchisee's express written consent. On the Effective Date (and any time thereafter that this date changes), Franchisee must notify Franchisor of Franchisee's fiscal year end date.

(c) All financial or statistical information Franchisee provides to Franchisor must be accurate and correct in all material respects.

(d) Franchisor has the right to use any financial or statistical information that Franchisee provides Franchisor, as Franchisor deems appropriate. Although Franchisor will not identify Franchisee, Franchisor may disclose such information for the purpose of seeking or soliciting potential franchisees. Franchisor will be required to disclose such information if (i) required by law or compulsory order or (ii) in connection with audits or collections under this Agreement.

(e) Franchisor has the right, at all reasonable times, to examine, copy and audit the books and records (including applicable Schedules C or equivalent portions of Franchisee's tax returns) that relate to the Outlet and Franchisee's operation of the Franchised Business. If an examination or audit discloses any underpayment of any fee, Franchisee must promptly pay the deficient amount plus interest calculated daily from the due date until paid at an APR of 18% (or the highest APR allowed by the law of the state where the Outlet is located, if that APR is lower). If an examination or audit discloses an underpayment or understatement of any amount due Franchisor by 5% or more, or if the examination or audit is made necessary by Franchisee's failure to furnish required information or documents to Franchisor in a timely manner, or it takes Franchisor's auditors an unreasonable amount of time (more than eight hours) to assemble Franchisee's records for audit, Franchisee must reimburse Franchisor for the cost of having Franchisee's books examined or audited (this remedy will be in addition to any other rights or remedies Franchisor has under this Agreement or otherwise, including Franchisor's right to terminate this Agreement).

(f) Franchisee must maintain and preserve all books, records and accounts of or relating to the Franchised Business for at least five years after the close of the fiscal year to which the books, records and accounts relate.

8.8 Signs and Display Materials.

(a) All signs, display materials and other materials containing the Marks must be in full compliance with the specifications provided in, and in conformity with, the Confidential Operations Manual. Franchisor will designate or approve the suppliers of such signs, display materials and other materials containing the Marks in accordance with Confidential Operations Manual guidelines.

(b) Subject to applicable governmental ordinances, regulations and statutes, Franchisee agrees to post and maintain, at the Outlet, entirely at Franchisee's expense, any minimum signage recommended by Franchisor. Any signage containing the Marks will be designed by a vendor Franchisor designates and manufactured by a vendor Franchisor designates or approves.

8.9 Telephone Numbers.

At its sole expense, Franchisee must list the telephone number for Franchisee's Outlet in accordance with procedures prescribed by the Confidential Operations Manual. At the time of termination or expiration of this

Agreement, for any reason, Franchisee must transfer the telephone numbers for Franchisee's Outlet to Franchisor or cancel them and de-list them from any applicable telephone directory or other telephone number listing service.

8.10 Insurance.

(a) Franchisee must have in effect on the Opening Date and maintain during the term of this Agreement comprehensive general liability insurance, automobile insurance, and other insurance that is legally required for Franchisee to operate the Franchisee's Outlet (i.e. workers' compensation insurance) or that is reasonably prudent for Franchisee's type of business. Policy coverage limitations and other terms relating to insurance will be set forth in the Confidential Operations Manual. Any policies of insurance that Franchisee maintains must contain a separate endorsement naming Franchisor and the Owner of the Marks (and Franchisor's other affiliated companies identified by Franchisor in writing) as additional insureds to the full extent of coverage provided under the insurance policies. Franchisee must provide Franchisor a copy of the policy and endorsement upon issuance and upon each and every renewal. If Franchisee fails to obtain and maintain the required insurance, Franchisor may, at its option, procure such insurance for Franchisee upon prior written notice and Franchisee shall pay, on demand, the premiums and Franchisor's costs in taking such action.

(b) Franchisee must promptly notify Franchisor of any and all claims against Franchisee or Franchisor under said policies of insurance and deliver to Franchisor certificates evidencing that such insurance are in full force and effect within 30 days after the Opening Date and each succeeding anniversary of the Opening Date. Such Insurance certificate must contain a statement that the certificate cannot be canceled without 30 days prior written notice to Franchisee and to Franchisor. Franchisee must notify Franchisor in writing immediately regarding any cancellation, non-renewal or reduction in coverage or limits.

(c) In the event of damage to the Outlet covered by insurance, the proceeds of any such insurance shall be used solely to restore the Outlet to its original condition as soon as possible, unless such restoration is prohibited by the location or Franchisor has consented otherwise in writing.

8.11 Review and Inspection.

(a) Franchisor has the right to send representatives at reasonable intervals at any time (announced or unannounced) during normal business hours, to Franchisee's Outlet (or any other facility from which Franchisee sells RAKKAN Products or any other offices relating to Franchisee's conduct of the Franchised Business) to review and inspect Franchisee's operations, business methods, service, management and administration relating to the Franchised Business or its equivalent, to determine the quality thereof and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Confidential Operations Manual and to ensure Franchisee is in compliance with System standards prescribed by Franchisor and specified in the Confidential Operations Manual.

(b) Franchisor or Franchisor's designated agents also have the right at all reasonable times, upon 10 days prior notice, to examine, copy and audit the books and records relating to the Outlet and Franchisee's operation of the Franchised Business. If an examination or audit discloses any underpayment of any fee, Franchisee must promptly pay the deficient amount plus interest calculated daily from the due date until paid at an annual percentage rate of 18% (or the highest APR allowed by the law of the state where the Outlet is located, if that APR is lower). If an examination or audit discloses an underpayment or understatement of any amount due Franchisor by 5% or more, or if the examination or audit is made necessary by Franchisee's failure to furnish required information or documents to Franchisor in a timely manner, or it takes Franchisor's auditors an unreasonable amount of time (more than eight hours) to assemble Franchisee's records for audit, Franchisee must reimburse Franchisor for the cost of having Franchisee's books and records examined or audited (this remedy will be in addition to any other rights or remedies Franchisor has under this Agreement or otherwise, including Franchisor's right to terminate this Agreement).

(c) Franchisee must fully cooperate in permitting Franchisor's representatives to access Franchisee's Outlet (or any other facility from which Franchisee sells RAKKAN Products or any other offices relating to Franchisee's conduct of the Franchised Business) during normal business hours to conduct reviews and inspections, and to render such assistance as Franchisor's representatives may reasonably request. Upon notice from Franchisor or Franchisor's representatives, Franchisee must immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection.

8.12 Compliance with Laws.

Franchisee must (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (ii) comply with all applicable wage, hour and other laws and regulations of the federal, state or local governments, (iii) prepare and file all necessary tax returns and (iv) pay promptly all taxes imposed upon Franchisee or upon Franchisee's business or property. Franchisee represents and warrants that it will obtain and always maintain all necessary permits, certificates or licenses necessary to conduct the Franchised Business in the locality within which the Outlet is situated. Franchisee must immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification must include all relevant details in respect thereof.

8.13 Web Site and Internet Marketing.

(a) During the term of this Agreement, Franchisee will use the RAKKAN website and any other Internet or social media only as specifically authorized by Franchisor in section 6.2(b) of this Agreement, the Confidential Operations Manual or otherwise in writing to market the Franchised Business conducted at Franchisee's Outlet. Franchisee may not register an Internet domain or social networking media Outlet name using any of the Marks.

(b) All domain names used by Franchisee must be pre-approved by Franchisor who will control the usage and right to use of all domain names. Upon termination or expiration of, or transfer of the rights and obligations granted under, this Agreement, Franchisee will have no further need or right to use these domain names.

(c) Any alternative distribution methods and programs Franchisee would like to use to engage in the Franchised Business, including e-commerce, web sites, Internet sub-dealers, telesales and telemarketing, or any other non-retail method of distribution, are subject to Franchisor's prior written approval, which approval will be in Franchisor's sole discretion.

8.14 Intranet.

(a) Franchisor may, at its option, establish and maintain an “RAKKAN Intranet” through which RAKKAN through which (i) franchisees may communicate with each other, (ii) Franchisor and Franchisee may communicate with each other and (iii) Franchisor may disseminate the Confidential Operations Manual, updates thereto and other confidential information. Franchisor will have discretion and control over all aspects of this RAKKAN Intranet, including the content and functionality thereof. Franchisor will have no obligation to maintain the RAKKAN Intranet indefinitely and may dismantle it at any time without liability to Franchisee.

(b) If and when Franchisor establishes an RAKKAN Intranet, Franchisee must use it in strict compliance with the standards and specifications, protocols and restrictions Franchisor establishes regarding such use. Such standards and specifications, protocols and restrictions may relate to, among other things, (i) the use of abusive, slanderous or otherwise offensive language in electronic communications, (ii) communications between or among franchisees that disparage Franchisor or endorse or encourage default of any RAKKAN franchise agreement, or other agreement with Franchisor or Franchisor’s affiliates, (iii) confidential treatment of materials that Franchisor transmits via the Intranet, (iv) password protocols and other security precautions, including limitations on the number and types of employees who may be granted access to the Intranet, (v) grounds and procedures for Franchisor’s suspending or revoking a franchisee’s access to the Intranet, and (vi) a privacy policy governing Franchisor’s access to and use of electronic communications that franchisees post to the Intranet. Franchisee acknowledges that, as administrator of the RAKKAN Intranet, Franchisor can technically access and view any communication that any person posts on the RAKKAN Intranet. Franchisee further acknowledges that the Intranet facility and all communications posted to it are or will become Franchisor’s property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

(c) So long as the Intranet is operating, Franchisee must establish and continually maintain (during all times that the Intranet is operational and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Confidential Operations Manual) with the Intranet that allows Franchisor to send messages to, and receive messages from Franchisee, subject to the standards and specifications.

8.15 Franchise Advisory Council.

Franchisor may, at its option, establish a franchise advisory council (the "FAC"), which will be composed of franchisees of the System. The FAC will, among other functions requested by Franchisor, serve as a representative committee for franchisees of the System and facilitate and coordinate the sharing of information and ideas between franchisees of the System and Franchisor. If appointed or elected to do so, Franchisee (or its designee) must, at Franchisee's own expense, participate as a member of the FAC. Franchisor reserves the right to set reasonable standards for appointment or election to the FAC and Franchisee acknowledges that if Franchisor establishes the FAC, Franchisee may be required to pay a fee or otherwise contribute to the FAC as the FAC leadership or Franchisor may require. Franchisee acknowledges that the role of the FAC is advisory only, and Franchisor is not obligated to implement the FAC's recommendations. Neither Franchisee nor Franchisee's designee will have the right to be appointed, elected, and if appointed or elected, to continue to serve on the FAC if Franchisee is in material default of this Agreement, or is not current in Franchisee's financial obligations to Franchisor, and Franchisee's landlord (if any), suppliers and vendors.

IX. PROPRIETARY MARKS

9.1 License of the Marks.

(a) Franchisor hereby grants Franchisee the right during the term hereof to use and display the Marks in accordance with the provisions contained in this Agreement and in the Confidential Operations Manual, solely in connection with Franchisee's operation of the Franchised Business at the Outlet. Neither Franchisee nor any Principal Equity Owner nor any employee, agent, or representative thereof may use, display or permit the use or display of trademarks, trade names, service marks, insignias or logo types *other than* the Marks and other trademarks and service marks approved for use by Franchisor in connection with the Franchised Business. Neither Franchisee nor any Principal Equity Owner nor any employee, agent, or representative thereof may use or display the Marks in connection with the operation of any business or other activity that is outside the scope of the Franchised Business. Franchisee may only use the Marks and Franchisor's Intellectual Property on the Internet or other electronic media in the manner and as specifically authorized by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee agrees to be responsible for and supervise all its employees and agents to insure the proper use of the Marks in compliance with this Agreement.

(b) Franchisee acknowledges and agrees Franchisee's use of the Marks is a temporary authorized use under this Agreement and that the Owner of the Marks retains all ownership interests in the Marks and that Franchisor and the Owner of the Marks retain all ownership of the goodwill generated by the Marks. Franchisee acknowledges that the use of the Marks outside the scope of the terms of this Agreement without Franchisor's written consent is an infringement of the Owner of the Marks' and Franchisor's exclusive right, title and interest in and to the Marks. Franchisee agrees that as between Franchisee and Franchisor, all rights to use the Marks within the franchised System are Franchisor's exclusive property. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by Franchisee's franchised use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Trade Dress, Confidential Operations Manual and Franchisor's other manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between Franchisee and Franchisor, remain vested solely in Franchisor, and the use thereof is only co-extensive with the term of this Agreement.

(c) Franchisee agrees that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, Franchisee will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks.

(d) Franchisee hereby grants Franchisor the right at any time to use the name, image and likeness of Franchisee and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, Franchisor's Intellectual Property, RAKKAN Products, any RAKKAN Outlet and the System, without any form of compensation or remuneration. Franchisee also agrees (i) to have any affected employee of Franchisee who is not a Principal Equity Owner sign a release (in the form contained in the Confidential Operations Manual) authorizing Franchisor to also use the employee's name, image and likeness for the purposes described in this section 9.1(d), without compensation or remuneration, and (ii) to provide Franchisor with a copy of such signed release. The terms of this section 9.1(d) survive termination or expiration of this Agreement.

[Franchisee's Initials: _____ Principal Equity Owners' Initials: _____ _____ _____ _____ _____]

(e) Franchisee acknowledges that Franchisor prescribes uniform standards respecting the nature and quality of RAKKAN Products provided by Franchisee in connection with which the Marks are used. Nothing herein gives Franchisee any right, title or interest in or to any of the Marks, except a mere privilege and license during the term hereof to display and use the same and Franchisee agrees that Franchisee's use of the Marks under this Agreement inures to Franchisor's benefit and the benefit of the Owner of the Marks.

(f) Franchisee and all Principal Equity Owners agree that all materials associated with Franchisor, RAKKAN Products or other services, artwork, graphics, layouts, slogans, domain names, other names, titles, text or similar materials incorporating, or being used in connection with, the Marks which may be created by Franchisee, Franchisee's employees, agents and subcontractors and any other party with whom Franchisee may contract to have such materials produced pursuant to this Agreement will become the sole property of the Owner of the Marks, including copyright and trademark rights. In furtherance thereof, Franchisee hereby and irrevocably assigns to Franchisor all such materials, artwork, graphics, layouts, slogans, names, titles, text or similar materials, whether presently or hereafter existing. Furthermore, Franchisee agrees on behalf of itself, its employees, its agents, its subcontractors and any other party with whom Franchisee may contract to have such materials produced, to promptly execute all appropriate documents in this regard. As between Franchisee and Franchisor, the Suggestions and all Intellectual Property Rights in and to the Suggestions are owned exclusively by Franchisor, except as otherwise set forth herein. Franchisee's Suggestions will not entitle Franchisee to any Intellectual Property Rights in and to the System; the System will not become a joint work of authorship because of Franchisee's Suggestions under any circumstances. Franchisee's Suggestions will be considered as a “work for hire” (as defined under the United States Copyright Act), and such Suggestions will be owned by and for the benefit of Franchisor. To the extent that any such Suggestions by Franchisee may not constitute a work for hire, Franchisee hereby grants, assigns and transfers all right, title and interest in and to such Suggestions, including all rights in and to the Intellectual Property therein, to Franchisor and agrees to execute all further documents and things reasonably required by Franchisor to effect and record such assignment. If Franchisee has any such rights that cannot be assigned to Franchisor, Franchisee waives the enforcement of such rights, and if Franchisee has any rights that cannot be assigned or waived, Franchisee hereby grants to Franchisor an exclusive, irrevocable, perpetual, worldwide, fully paid license (with right to sublicense through multiple tiers) to such rights. Franchisee acknowledges there are, and may be, future rights that Franchisee may otherwise become entitled to with respect to the Suggestions not yet existing, as well as new uses, media, means and forms of exploitation throughout the universe exploiting current or future technology yet to be developed, and Franchisee specifically intends the foregoing assignment of rights to Franchisor will include all such now known or unknown uses, media and forms of exploitation throughout the universe.

(g) If necessary, Franchisee agrees to join with Franchisor and share the expenses in any application to enter Franchisee as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee hereby consents to the cancellation and agrees to join in any cancellation petition. Franchisee will bear the expense of any cancellation petition.

9.2 Franchisee's Business Name.

(a) In connection with Franchisee's operation of the Outlet, Franchisee agrees that at all times and in all advertising, promotions, signs and other display materials, on Franchisee's letterheads, business forms, and at the Outlet and other authorized business sites, in Franchisee's business dealings related thereto and to the general public, Franchisee will identify the Franchised Business solely under a trade name containing the Mark “RAKKAN” and authorized by Franchisor (“Business Name”) together with the words “INDEPENDENTLY OWNED AND OPERATED” on Franchisee's letterhead, contract agreements, invoices, authorized social media or Internet sites, advertising and other written materials containing the Marks as Franchisor may direct.

(b) Franchisee must file and keep current a fictitious business name statement, assumed name certificate or similar document regarding Franchisee's Business Name in the county or other designated jurisdiction in which Franchisee is conducting business and at such other places as may be required by law. Before Franchisee commences engaging in the Franchised Business under the Marks, Franchisee must supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious or assumed names.

(c) On expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and Business Name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

(d) Franchisee further agrees it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, division, shareholder, partner, agent or employee of Franchisor or the Owner of the Marks, or (iii) any of Franchisor's other franchisees.

(e) If Franchisee is an entity and not an individual proprietor, Franchisee cannot use any of the Marks in its legal name.

9.3 Trade Secrets and Proprietary Information.

(a) Under this Agreement, Franchisor is licensing Franchisee access to Franchisor's Proprietary Information, Trade Secrets and other confidential data and information. Franchisee acknowledges that the material and information now and hereafter provided or revealed to Franchisee pursuant to this Agreement (including in particular, but without limitation, the contents of the Confidential Operations Manual) are Franchisor's confidential trade secrets and are revealed in confidence, and Franchisee expressly agrees to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. Franchisor expressly reserves all rights with respect to the Marks, Proprietary Information, methods of operation and related information, except as may be expressly granted to Franchisee hereby or in the Confidential Operations Manual. Franchisor will disclose to Franchisee certain Trade Secrets as reasonably needed for the operation by Franchisee of the Franchised Business by loaning to Franchisee, for the term of this Agreement, the Confidential Operations Manual and other written materials containing the Trade Secrets, through training and assistance provided to Franchisee hereunder, and by and through the performance of Franchisor's other obligations under this Agreement.

(b) Franchisee acknowledges that Franchisor is the sole owner of all Proprietary Information, including Franchisor's Trade Secrets; that such information is being imparted to Franchisee only by reason of Franchisee's special status as a franchisee of the System; and that Franchisor's Proprietary Information is not generally known to Franchisor's industry or the public at large and are not known to Franchisee except by reason of such disclosure. To the extent that Trade Secrets are furnished in a printed “hard” copy rather than electronically, Franchisee will only grant authorized personnel access to the Trade Secrets and take adequate precautions to ensure that the Trade Secrets are kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Trade Secrets are furnished in electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will promptly notify Franchisor if any part of its Trade Secrets that is maintained in a tangible media is lost or destroyed for any reason. Franchisee further acknowledges that Franchisee will acquire no interest in the Proprietary Information and Trade Secrets disclosed to Franchisee, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement.

(c) Franchisee agrees that Franchisee will not do or permit any act or thing to be done in derogation of any of Franchisor's rights in connection with the Marks, either during the term of this Agreement or thereafter, and that Franchisee will use these only for the uses and in the manner franchised and licensed hereunder and as herein provided. Furthermore, Franchisee and Franchisee's employees and agents will not engage in any act or conduct that impairs the goodwill associated with the Marks.

(d) Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from and against all “Losses” (as defined in section 16.2 below), which Franchisor may sustain as a result of any unauthorized use or disclosure of Proprietary Information or the Marks by Franchisee or its employees and agents. Franchisee further agrees and acknowledges that the disclosure or use of Proprietary Information or the Marks in a manner not authorized by this Agreement will cause immediate and irreparable damage to Franchisor that would be impossible or inadequate to measure and calculate and could not be fully remedied by monetary damages. Accordingly, Franchisor has the right to specifically enforce this Agreement and seek injunctive or other equitable relief as may be necessary or appropriate to prevent such unauthorized disclosures or use without the necessity of proving actual damages by reason of any such breach or threatened breach of this Agreement. Franchisee further agrees that no bond or other form of security is required to obtain such equitable relief and Franchisee hereby consents to the issuance of such injunction and to the ordering of specific performance. Franchisee further agrees and acknowledges that such remedies are in addition to any other rights or remedies, whether at law or in equity, which may be available to Franchisor, including, but not limited to monetary damages.

(e) 18 USC Section 1833(b) states: “An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a

lawsuit or other proceeding, if such filing is made under seal." Accordingly, Franchisor and Franchisee will each have the right to disclose in confidence Trade Secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Franchisor and Franchisee also have the right to disclose Trade Secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. Section 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. Section 1833(b).

9.4 Modification of Marks and Trade Dress.

Franchisor may add to, substitute or modify any Mark or Trade Dress item any time, by directive in the Confidential Operations Manual. Franchisee agrees to accept, use, display, or cease using, as may be applicable, at its sole expense, the Marks and Trade Dress, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and must within 30 days of receiving notification, commence to implement such changes and use its best efforts to complete such changes as soon as practicable.

9.5 Mark Infringement Claims and Defense of Marks.

(a) If Franchisee receives notice or otherwise becomes aware of any claim, suit or demand, threatened or pending, against Franchisee by any party other than Franchisor, the Owner of the Marks or any of Franchisor's affiliates on account of any alleged infringement, unfair competition or similar matter arising from Franchisee's use of the Marks in accordance with the terms of this Agreement, or any misuse of the Marks by third parties on the Internet or otherwise, Franchisee must notify Franchisor within 10 days of any such claim, suit, demand or misuse. Franchisee will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without Franchisor's prior written consent. Franchisor will defend, compromise or settle at Franchisor's discretion any such claim, suit or demand and take steps to stop misuse at Franchisor's cost and expense, using attorneys selected by Franchisor or the Owner of the Marks, and Franchisee agrees to cooperate fully in such matters.

(b) Franchisor will indemnify Franchisee and hold Franchisee harmless from and against all judgments resulting from any claim, suit or demand arising from Franchisee's authorized and proper use of the Marks or Franchisor's Intellectual Property in accordance with the terms of this Agreement. Franchisor has the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks or Franchisor's Intellectual Property being used by Franchisee or constitutes a misuse of the Marks or Franchisor's Intellectual Property, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

(c) Franchisee hereby indemnifies Franchisor and holds Franchisor harmless from and against all judgments resulting from any claim, suit or demand arising from Franchisee's unauthorized and improper use of the Marks or Franchisor's Intellectual Property.

X. MARKETING AND PROMOTION

10.1 Marketing and Promotion of the Brand.

(a) Franchisor may, but is not obligated to, expend amounts on national, regional or local marketing, advertising, cooperative advertising, market research, public relations and promotional campaigns designed to promote and enhance the value of the Marks and general public recognition and acceptance thereof, and on regional, local or national media or other marketing techniques or programs designated to promote the retail sale of RAKKAN Products, the Marks and other aspects of the RAKKAN brand, creative and production costs, and for other purposes deemed appropriate by Franchisor to enhance and promote the general recognition of RAKKAN franchises.

(b) Franchisor may, but is not obligated to, expend additional amounts on branding and marketing studies, initiatives and research; test marketing new products or concepts; franchisee compliance with System standards and practices through a "mystery shopper" program; the development of marketing strategies, tools, initiatives, and materials; public relations; and market research.

10.2 Advertising Content and Costs.

With respect to all regional, national and/or system-wide advertising, Franchisor determines the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

XI. NON-COMPETITION COVENANTS

11.1 Exclusive In-Term Dealing.

(a) Franchisee acknowledges it will receive valuable specialized training and access to Proprietary Information, including, without limitation, information regarding RAKKAN Products and the operational, sales, promotional and marketing methods and techniques of the System and Franchisor's Trade Secrets. In consideration for the use and license of such valuable information, Franchisee agrees that it will not during the term of this Agreement operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareholder, manager, member, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to RAKKAN Products or the Franchised Business, without Franchisor's express prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion.

(b) It is the intention of both Franchisee and Franchisor that Franchisee maximizes the Franchised Business within the Territory, and any action of Franchisee that diverts business to another entity or diminishes the Franchised Business being conducted in the Territory will be a material breach of this Agreement. Accordingly, neither Franchisee nor any Principal Equity Owner may, either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity, (i) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or (ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

11.2 Post Termination Non-Competition Covenants.

(a) For a period of one year after termination of this Agreement or its expiration without renewal pursuant to section 5.2 of this Agreement (“Expiration Date”), Franchisee agrees that neither Franchisee nor any Principal Equity Owner may (either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in (directly or indirectly as an employee, officer, director, shareowner, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to RAKKAN Products or the Franchised Business, within a radius of 25 miles of Franchisee's Territory or any other authorized retail location selling RAKKAN Products, without Franchisor's express prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion. Following termination or expiration of this Agreement, Franchisee must always refrain from any use, direct or indirect, of any Proprietary Information.

(b) If any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits Franchisor's rights under section 11.2(a) above, then section 11.2(a) will be deemed amended (or deleted) to conform to the requirements of such laws and regulations, but in such event (unless deleted) the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

11.3 General Provisions regarding Non-Competition Covenants.

(a) Franchisee acknowledges that the restrictions contained in this Article XI are reasonable and necessary to protect Franchisor's legitimate interests, and if there is a violation of any of these restrictions, Franchisor is entitled to recover damages including, without limitation, Royalty Fees and other fees that would have been payable if such business were included in the Franchised Business, and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies will be cumulative and in addition to any other rights or remedies to which Franchisor is entitled at law or in equity.

(b) Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from and against all Losses (as defined in section 16.2(d) below) which Franchisor may sustain because of any breach of this Article XI by Franchisee, any Principal Equity Owner, or Franchisee's General Manager. Franchisee further agrees that a breach of the non-competition covenants set forth above will cause immediate and irreparable damage to Franchisor that

would be impossible or inadequate to measure and calculate and could not be fully remedied by monetary damages. Accordingly, Franchisor has the right to specifically enforce this Agreement and seek injunctive or other equitable relief as may be necessary or appropriate to prevent such breach or continued breach without the necessity of proving actual damages by reason of any such breach or threatened breach of this Agreement. Franchisee and each Principal Equity Owner further agree that no bond or other security will be required in obtaining such equitable relief and hereby consents to the issuance of such injunction and to the ordering of specific performance. Franchisee and each Principal Equity Owner further acknowledge that such remedies are in addition to any other rights or remedies, whether at law or in equity, which may be available to Franchisor, including, but not limited to, monetary damages.

(c) This Article XI applies to Franchisee's General Manager and Principal Equity Owners and each of Franchisee's other managers, directors, officers, general partners and affiliates.

(d) Each provision of this Article XI is independent of each other provision of this Agreement. If any provision of this Article XI is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, Franchisee agrees to be bound by (i) the maximum duty permitted by law with respect to that provision, which will be deemed restated accordingly, and (ii) all other provisions of this Article XI.

XII. ASSIGNMENT

12.1 Assignment by Franchisor.

Franchisor has the right to Transfer this Agreement, and Franchisor's rights and privileges hereunder to any other person, firm or corporation (“Franchisor's Assignee”); provided that, in respect to any Transfer (“Assignment by Franchisor”) resulting in the subsequent performance by Franchisor's Assignee of the functions of franchisor hereunder (i) at the time of Assignment by Franchisor, Franchisor's Assignee will be financially responsible and economically capable of performing the obligations of franchisor hereunder; and (ii) Franchisor's Assignee must expressly assume and agree to perform such obligations. If there is an Assignment by Franchisor in compliance with the terms set forth in the preceding sentence, Franchisor will be relieved of all obligations or liabilities after the effective date of the assignment.

12.2 Assignment by Franchisee.

(a) This Agreement is being executed in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee and its Principal Equity Owners and the trust and confidence Franchisor reposes in Franchisee and in them. Therefore, neither Franchisee's interest in this Agreement and the Franchise granted hereunder, nor more than 50% of the equity interest in Franchisee (if Franchisee is an entity), nor all or substantially all the assets of the Franchised Business, nor any controlling interest or non-controlling interest in the Franchised Business may be assigned, transferred, shared or divided, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (collectively, “Assignment by Franchisee”), without Franchisor's prior written consent and, except for any transfer of a non-controlling interest, subject to Franchisor's right of first refusal provided for in section 12.3 hereof. Franchisor's consent to a specific Assignment by Franchisee is not cumulative and will not apply to any subsequent assignments, in respect of each of which Franchisee must comply with this section 12.2.

(b) Prior to any Assignment by Franchisee, Franchisee must notify Franchisor of Franchisee's intent to sell, transfer or assign the Franchise, the Outlet, all or substantially all the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business. The notice must be in writing, delivered to Franchisor in accordance with section 16.1 hereof and include the following:

(i) The name and address of the proposed assignee (“Franchisee's Assignee”);

(ii) If requested by franchisor, a copy of all agreements related to the sale, assignment, or transfer of the Franchise, the assets of the Franchised Business, or the interest in the Franchised Business; and

(iii) Franchisee's Assignee's application for approval to become the successor franchisee. The application must include all forms, financial disclosures and related information generally used by Franchisor when interviewing prospective new franchisees if those forms are readily made available to Franchisee. If the forms are not readily available, Franchisee must request that Franchisor deliver the forms to Franchisee by business courier in accordance with section 16.1 hereof within 15 calendar days. As soon as practicable after the receipt of Franchisee's Assignee's application, Franchisor will notify Franchisee and Franchisee's Assignee, in writing, of any additional information or documentation necessary to complete the transfer application. If Franchisor's then-

existing standards for the approval of new or renewing franchisees are not readily available to Franchisee when Franchisee notifies Franchisor of Franchisee's intent to sell, transfer, or assign the Franchise, all or substantially all the assets of the Franchised Business, or the controlling or non-controlling interest in the Franchised Business, Franchisor will communicate the standards to Franchisee within 15 calendar days.

(c) Within 60 days after the receipt of all necessary information and documentation required pursuant to section 12.2(b) above, or as specified by written agreement between Franchisor and Franchisee, Franchisor will notify Franchisee of the approval or disapproval of the proposed Assignment by Franchisee. The notice will be in writing and delivered to Franchisee by business courier in accordance with section 16.1 hereof. Should Franchisor elect not to exercise its right of first refusal, or should such right of first refusal be inapplicable, as herein provided, the proposed Assignment by Franchisee will be deemed approved, unless disapproved by Franchisor in writing and for reasons permitted by the law governing this Agreement. If the proposed sale, assignment or transfer is disapproved, Franchisor will include in the notice of disapproval a statement setting forth the reasons for the disapproval. Franchisor may impose, among other things, the following conditions precedent to Franchisor's consent to any such Assignment by Franchisee (these conditions are consistently applied to similarly situated franchisees operating under the Franchise brand):

(i) Franchisee's Assignee must complete Franchisor's application for a Franchise, and in connection therewith, Franchisee and Franchisee's Assignee must fully disclose in writing all terms and conditions of the Assignment by Franchisee;

(ii) Franchisee's Assignee and the principal equity owners of Franchisee's Assignee demonstrate they have the skills, qualifications, moral and ethical reputation, and economic resources necessary, in Franchisor's sole judgment, to conduct the business contemplated by this Agreement;

(iii) Franchisee's Assignee and each principal equity owner of Franchisee's Assignee expressly assume in writing for Franchisor's benefit Franchisee's obligations under this Agreement;

(iv) Franchisee's Assignee executes the then current form of Franchise Agreement being used by Franchisor for the remainder of the term of this Agreement or, in Franchisor's sole discretion, for the initial term of the then current form of Franchise Agreement;

(v) Franchisee must have complied fully as of the date of any such Assignment by Franchisee with Franchisee's material obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor;

(vi) Franchisee's Assignee agrees that (A) a General Manager successfully trained by Franchisor must at all times be employed to operate the Outlet and (B) Franchisor's Initial Training program described in section 6.1 hereof and any other training or orientation programs then required by Franchisor will be satisfactorily completed by Franchisee's Assignee's General Manager and other necessary personnel within 30 days after the execution by Franchisee's Assignee of a Franchise Agreement, provided, however, that Franchisee's Assignee must agree to pay for all their expenses incurred in connection therewith, including any fee Franchisor charges for training (at the rate in effect at the time of transfer), travel, hotel and meal expenses; and

(vii) Not later than 10 days before the transfer, Franchisee must pay Franchisor a non-refundable “Transfer Fee” of $10,000 (the Transfer Fee is not payable if Franchisor exercises its right of first refusal pursuant to section 12.3 of this Agreement). The Transfer Fee is subject to adjustment in Franchisor's discretion based on corresponding changes in the CPI since the Effective Date.

(d) Franchisee does not have a right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever (except that with Franchisor's consent, which will not be unreasonably withheld, Franchisee may pledge a security interest in this Agreement in connection with a Small Business Administration loan), nor subfranchise or otherwise transfer, or attempt to subfranchise or otherwise transfer the Franchised Business, or to transfer or subfranchise a portion, but not all, of Franchisee's rights hereunder without Franchisor's express prior written consent, which will not be unreasonably withheld.

(e) Any attempt by Franchisee to assign or any purported Assignment by Franchisee in violation of this section 12.2 is void and will (i) constitute a material breach of this Agreement, (ii) cause this Agreement (and in Franchisor's sole discretion any or all other agreements between Franchisee and Franchisor, or between Franchisee and Franchisor's affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

(f) Upon Franchisor's consent to any Assignment by Franchisee, Franchisee must bring all accounts with Franchisor current and transfer to Franchisee's assignee all service agreements or contracts signed by customers of the Franchised Business conducted at Franchisee's Outlet. Also, Franchisee must (i) execute an agreement among Franchisee, Franchisor and Franchisee's assignee effecting the Assignment by Franchisee, which will include a mutual release between Franchisee and Franchisor and (ii) enter into an assignment of the lease for the Outlet premises (including an assignment to the assignee of Franchisee's rights, title and interest to telephone numbers and utilities respecting the Outlet).

12.3 Right of First Refusal.

(a) Except for a Transfer (i) to Franchisee's heirs, personal representatives or conservators in the case of death or legal incapacity as provided in section 12.6 hereof or (ii) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan, Franchisee's right to Transfer Franchisee's entire interest in the Franchise granted by this Agreement under section 12.2 hereof is subject to Franchisor's right of first refusal, which will be exercised in accordance with the terms of this section 12.3.

(b) Franchisee must deliver to Franchisor a written notice setting forth (i) all the terms and conditions of any *bona fide* offer relating to a proposed Assignment by Franchisee, and (ii) all available information concerning Franchisee's Assignee including a detailed summary of how the proposed assignee meets Franchisor's qualifications for a new RAKKAN franchisee, and any other related information requested by Franchisor. If the specified terms and conditions include consideration of a non-monetary nature, such consideration must be expressed in reasonably equivalent monetary terms, and if it involves matters that cannot be stated in monetary terms, such consideration will not be considered in connection with Franchisor's right of first refusal.

(c) Within 15 days after Franchisor's receipt of such notice (or if Franchisor requests additional information, within 10 days after receipt of such additional information), Franchisor may either (i) consent or withhold Franchisor's consent to such Assignment by Franchisee, in accordance with section 12.2 hereof, or (ii) at Franchisor's option, accept the Assignment by Franchisee itself or on behalf of Franchisor's nominee upon the terms and conditions specified in the notice.

(d) If Franchisor elects not to exercise its right of first refusal and consent to the Assignment by Franchisee, Franchisee will for a period of 60 days, and subject to the provisions of section 12.2 hereof, be free to assign this Agreement to such proposed Assignee upon the terms and conditions specified in said notice. If, however, these terms are modified in any material manner (as determined by Franchisor), or if said 60-day period expires, Franchisor will again have such right of first refusal with respect thereto and Franchisee will again be required to comply with section 12.3(b) above. Detailed terms of assignment must be delivered to Franchisor no later than 72 hours following the close of escrow or other consummation of the transaction.

12.4 Transfers to Certain Family Members.

Franchisee or a Principal Equity Owner, if a natural person, may with Franchisor's consent, which will not be unreasonably withheld, transfer the Franchised Business or an equity interest in Franchisee's franchised entity to such person's immediate family member (defined as a spouse or person having equivalent rights under applicable federal or state law, parent, sibling, niece, nephew, descendant or spouse's descendant) provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement. No transfer under this section 12.4 will be subject to Franchisor's right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to Franchisor no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three business days following the close of the transaction.

12.5 Transfers to Affiliated Entities.

Franchisee or a Principal Equity Owner may without Franchisor's consent, upon 30 days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee's franchised entity to an entity that is (i) organized to operate the Franchised Business and (ii) owned in the same proportionate amount of ownership as prior to such Transfer, provided that adequate provision is made for the management of the Franchised

Business. No Transfer under this section 12.5 will be subject to Franchisor's right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to Franchisor no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three business days following the close of the transaction. Also, Franchisee acknowledges and agrees that any Transfer to an affiliate will not relieve Franchisee from its obligations under this Agreement.

12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner.

(a) Notwithstanding the foregoing, in the event of Franchisee's (if an individual) death or legal incapacity, or the death or legal incapacity of a Principal Equity Owner holding a majority equity interest in the franchisee entity ("Majority Equity Owner") if Franchisee is an entity (corporation, limited liability company or partnership), the transfer of Franchisee's or the deceased Majority Equity Owner's interest in this Agreement to his or her heirs, personal representatives or conservators, as applicable, will not be deemed an Assignment by Franchisee provided that a responsible management employee or agent of Franchisee that has been satisfactorily trained by Franchisor will be responsible for the Franchised Business.

(b) In the event of the death of a sole proprietor Franchisee or the death of a Majority Equity Owner, such person's interest in this Agreement or its equity interest in the franchise entity must Transfer as soon as practicable (but not more than 270 days) after the date of death in accordance with such person's will or, if such person dies without a will, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business. If Franchisor determines (i) there is no imminent sale to a qualified successor or (ii) there is no heir or other Principal Equity Owner capable of operating the Franchise, Franchisor may (but is not obligated to) immediately commence operating the Outlet on Franchisee's behalf for a period of up to 90 days, renewable as necessary for up to one year and Franchisor will periodically discuss the status with the heirs of the decedent. For such management assistance, Franchisee or the successor in interest must pay a reasonable *per diem* management fee/charge to Franchisor for serving as the interim manager.

(c) No Transfer under this section 12.6 will be subject to (i) Franchisor's right of first refusal set forth in section 12.3 hereof or (ii) the Transfer Fee set forth in section 12.2(b)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by Franchisee's (or a Majority Equity Owner's) heirs, personal representatives or conservators. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide Franchisor with full disclosure of the terms of said transfer not later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three business days following the close of the transaction.

12.7 Other Transfers.

Except as otherwise provided in this Agreement and subject to Franchisor's right of first refusal provided in section 12.3 hereof, Franchisee or an Principal Equity Owner may consummate any Transfer of a direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or any equity interest in Franchisee's franchised entity, not permitted by the preceding sections 12.4, 12.5 and 12.6, only after written notice to Franchisor and only with Franchisor's written consent, which will not be unreasonably withheld. Franchisor will exercise Franchisor's good faith business judgment in determining whether to give or withhold Franchisor's consent to a Transfer under this section 12.7. Such exercise of good faith business judgment may include Franchisor's consideration of certain skills and qualifications of the prospective transferee which are of business concern to Franchisor, including without limitation, the following: experience in businesses similar to the Franchised Business, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferee; the ability of such prospective transferee to fully and faithfully conduct the Franchised Business as contemplated by this Agreement; and the effect that the Transfer and the prospective transferee will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the System or Franchisor or any of Franchisor's affiliates.

XIII. DEFAULT AND TERMINATION

13.1 General.

(a) This Agreement may be terminated only for good cause, which means a failure of a party to substantially comply with the lawful requirements imposed upon it by this Agreement after being given notice at least 30 days in advance of the termination and a reasonable opportunity, which in no event will be less than 30 days from the date of the notice of noncompliance, to cure the failure (provided that this section 13.1(a) does not apply when there are grounds for immediate termination without notice pursuant to section 13.2 below).

(b) If Franchisor is in material breach of this Agreement, Franchisee may terminate this Agreement by giving Franchisor prior written notice setting forth the asserted breach of this Agreement and giving Franchisor 30 days in which to cure the default. A material breach of this Agreement by Franchisor means any unauthorized action or omission seriously impairing or adversely affecting Franchisee or the relationship between Franchisor and Franchisee created by this Agreement. However, if Franchisor becomes insolvent or declares bankruptcy, Franchisee will continue to have the right to operate under this Agreement until and unless a court issues an order otherwise. If because of the nature of the breach, it would be unreasonable for Franchisor to be able to cure the default within 30 days, Franchisor will be given additional time (up to 15 additional days) as is reasonably necessary to cure said breach, upon condition that Franchisor must, upon receipt of such notice from Franchisee, immediately commence to cure such breach and continue to use best efforts to do so.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the option, to be exercised in its sole discretion, to choose alternative remedies to its right to terminate the entire Agreement.

(d) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the right to exercise all remedies available to it at law or in equity, including without limitation specific performance and damages (including punitive damages). All rights and remedies provided herein are in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

(e) Notwithstanding anything contained herein to the contrary, in the event Franchisee defaults on its Royalty Fees and any other fees owed by Franchisee to Franchisor under this Agreement, Franchisor shall have the right to charge Franchisee's credit card or debit card, without Franchisee's prior approval or permission, for such fees and applicable late fees and interest accrued on delinquent payments. Franchisee shall be required to complete a credit card authorization form provided by Franchisor at the time of execution of this Agreement.

13.2 Immediate Termination.

(a) Franchisor has the right to immediately terminate this Agreement upon notice to Franchisee without an opportunity to cure if:

(i) Franchisee admits its inability to pay its debts as they come due, or Franchisee or the business to which the Franchise relates (A) has been the subject of an order for relief in bankruptcy, (B) is judicially determined to be insolvent or (C) has all or a substantial part of its assets assigned to or for the benefit of any creditor;

(ii) Franchisee Abandons the Franchise by failing to operate the Outlet for five consecutive business days during which Franchisee is required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchise, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond Franchisee's control;

(iii) Franchisee makes any material misrepresentations relating to the acquisition of the Franchise or Franchisee engages in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System;

(iv) Franchisee fails, for a period of 10 business days after notification of noncompliance, to comply with any federal, state or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the Franchise;

(v) after curing any failure in accordance with section 13.3 below, Franchisee engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(vi) Franchisee repeatedly fails to comply with one or more material requirements of this Agreement, whether or not corrected after notice;

(vii) the Franchised Business or the business premises of the Franchise are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lien holder or lessor, provided that a final judgment against Franchisee remains unsatisfied for 30 days (unless an appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days of such levy;

(viii) Franchisee is convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise;

(ix) Franchisee fails to pay any franchise fees or other amounts due to Franchisor or its affiliate within five days after receiving written notice that such fees are overdue;

(x) an audit or investigation conducted by Franchisor (A) discloses that Franchisee knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated Franchisee's Gross Revenues or withheld the reporting of any of Franchisee's Gross Revenues, or (B) reveals an underreporting or under recording error on any single occasion of 5% or more; or

(xi) Franchisor makes a reasonable determination that Franchisee's continued operation of the Franchise will result in an imminent danger to public health or safety.

(b) The parties recognize that some breaches may involve conduct that undermines the basis for the Agreement such that the expectation of full and proper contract performance cannot be restored, even if the specific activity giving rise to the claim of breach has ended. In such cases, no period of “cure” will be required. However, the termination will not take effect for 10 days to enable the parties to consider whether other alternatives may be possible.

(c) If Franchisee's rights under this Agreement are terminated by Franchisor because of an event described in section 13.2(a) above, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 or 14.3 below, as applicable, to collect damages or otherwise enforce its rights.

13.3 Termination After Notice.

(a) Except as provided in section 13.2 above, Franchisor may terminate this Agreement only for good cause (as defined in section 13.1(a) above) after giving Franchisee prior written notice setting forth the asserted breach of this Agreement and giving Franchisee 30 days in which to cure the default. Upon receipt of a notice of default, Franchisee must immediately commence diligently to cure said breach, and if Franchisee cures said breach within 30 days, Franchisor's right to terminate this Agreement will cease. If because of the nature of the breach, it would be unreasonable for Franchisee to be able to cure the default within 30 days, Franchisee will be given additional time (up to 15 additional days) as is reasonably necessary in Franchisor's determination to cure said breach, upon condition that Franchisee must, upon receipt of such notice from Franchisor, immediately commence to cure such breach and continue to use Franchisee's best efforts to do so.

(b) If Franchisee's rights under this Agreement are terminated by Franchisor for material breach, Franchisor may, at its option, declare Franchisee in default of all other franchise agreements or other agreements Franchisee has with Franchisor, and terminate Franchisee's rights under those other agreements as well.

(c) If Franchisee's rights under this Agreement are terminated by Franchisor for Franchisee's failure to make any payment due under this Agreement, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 below to collect damages or otherwise enforce its rights.

(d) The description of any default in any notice served by Franchisor hereunder upon Franchisee in no way precludes Franchisor from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

(e) If Franchisee and Franchisor agree to mutually terminate this Agreement, Franchisee must return a signed counterpart of any document Franchisor prepares to effect the termination not later than 10 days after Franchisee receives it, or the mutual agreement to terminate will be voidable by Franchisor, and Franchisor may thereafter immediately and unilaterally terminate this Agreement and require payment of all sums due and payable to Franchisor at the date of termination.

13.4 Description of Default.

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

13.5 Statutory Limitations.

Notwithstanding anything to the contrary in this Article XIII, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits Franchisor's rights of termination hereunder or requires longer notice periods than those set forth herein, and if the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement will be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

13.6 Extended Cure Period.

Notwithstanding anything contained herein to the contrary, including, without limitation, section 13.3(c) hereof, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the right, to be exercised in its sole discretion, to grant to Franchisee in writing only, in lieu of termination of this Agreement, an extended period of time to cure the breach which gave rise to Franchisor's right to terminate, but in no event may such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach. Franchisee acknowledges that Franchisor's election to grant an extended cure period to Franchisee will not operate as a waiver of any of Franchisor's rights hereunder.

13.7 Franchisor's Right to Cure Franchisee's Defaults.

In addition to all other remedies herein granted, if Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee, cure the default for Franchisee's account and on Franchisee's behalf, and all costs or expenses including attorney's fees incurred by Franchisor on account thereof will be due and payable by Franchisee to Franchisor on demand.

13.8 Waiver and Delay.

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal or neglect of Franchisor either to exercise any right, power or option given to Franchisor hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Confidential Operations Manual, constitutes a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Recovery of Lost Royalty.

If this Agreement is terminated because of Franchisee’s material breach, based on the estimated time it takes for a replacement franchise Outlet to achieve a similar revenue stream, in addition to any other damages or relief, Franchisor is entitled to recover damages equal to the amount of the Royalty actually paid by Franchisee, or what Franchisee was obligated to pay, whichever is greater, during the 12 months prior to (i) the date this Agreement was terminated or (ii) if the Opening Date is less than 12 months before the termination date, during the time since the Opening Date.

13.10 Collection Costs.

Franchisor is entitled to reimbursement from Franchisee upon Franchisor's demand of all costs Franchisor has incurred (including reasonable attorneys' fees and investigator's fees) to enforce Franchisor's rights under this Agreement, including actions to collect any amounts due and delinquent hereunder.

13.11 Continuance of Business Relations.

Any continuance of business relations between Franchisee and Franchisor after termination of this Agreement will not be construed as a renewal, extension or continuation of this Agreement.

XIV. DISPUTE RESOLUTION

14.1 Initial Steps to Resolve a Dispute; Mediation.

(a) Franchisor and Franchisee have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, considering the overall best interests of the System, as contemplated by this Agreement. To that end, Franchisee and Franchisor acknowledge that Franchisee and Franchisor need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between Franchisee and Franchisor are important aspects of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof (collectively, "Dispute") by first having Franchisor's executive officers and Franchisee's Principal Equity Owners meet (without their respective legal counsel) in person at Franchisor's principal executive office (or in Franchisor's discretion by videoconference) within five business days after a party notifies the other party that a Dispute has arisen to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. Franchisor may proceed to terminate this Agreement in either of the following two situations without a settlement meeting or mediation proceeding: (i) if there is any breach of this Agreement by Franchisee that may result in an immediate termination of this Agreement pursuant to section 13.2 above, or (ii) if Franchisee fails to pay any sums due Franchisor under this Agreement which may result in termination of this Agreement pursuant to section 13.3 above. Also, if a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this section 14.1, the other party may immediately commence an arbitration proceeding pursuant to section 14.2 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section 14.1 above, within 10 business days after the date this conference took place (or should have taken place), Franchisee and Franchisor may submit the dispute to non-binding mediation at a location in Los Angeles County, California (or another location mutually agreeable to both parties) conducted by a mutually acceptable mediator who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If the Dispute is not referred to mediation within 10 business days after the settlement conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to section 14.2 below. Any mediation proceedings should be completed within 60 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation.

14.2 Arbitration.

(a) Except as specifically provided in sections 13.2(c) and 13.3(c) above, any Dispute between Franchisor (and/or its affiliated entities) and Franchisee (and/or its Principal Equity Owners or affiliated entities) not settled through the procedures described in section 14.1 above, or any determination of the scope or applicability of this agreement to arbitrate, will be resolved through binding arbitration by one arbitrator from JAMS, Inc. ("JAMS"), and administered by JAMS in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or its Comprehensive

Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by one arbitrator administered by any other mutually agreeable arbitration organization. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with this section 14.2.

(b) All hearings and other proceedings will take place at the JAMS business location in Los Angeles County, California, or other county where Franchisor's headquarters is then located, or if Franchisor so elects, at the JAMS business location nearest in the county where Franchisee's (or an applicable Principal Equity Owner's) principal place of business is then located.

(c) A limited amount of discovery (including e-discovery) is permitted within the discretion of the arbitrator (including affidavits and a maximum of three discovery depositions for each side, with each side's depositions not to consume more than a total of 15 hours) and either party may present briefs and affidavits of witnesses who are unable to attend hearings.

(d) Any party wishing to make a dispositive motion must first submit a brief letter (not exceeding five pages) explaining why the motion has merit and why it would speed the proceeding and make it more cost-effective, and the other side will have a brief period in within which to respond. Based on the letters, the arbitrator will decide whether to proceed with allowing the parties to present a brief and argument on the proposed motion. If the arbitrator decides to go forward with the motion, the arbitrator will place page limits on the briefs and set an accelerated schedule for the disposition of the motion. Under ordinary circumstances, the pendency of such a motion will not serve to stay any aspect of the arbitration or adjourn any pending deadlines.

(e) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, FRANCHISEE ACKNOWLEDGES FRANCHISEE IS AGREEING TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHTS THAT FRANCHISEE MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS. ACCORDINGLY, FRANCHISEE EXPRESSLY AGREES TO WAIVE ANY RIGHT FRANCHISEE MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(f) The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction. TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(g) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(h) The provisions of this section 14.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, this section 14.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Franchisor's Initials: _____ Franchisee's Initials: _____]
[Principal Equity Owners' Initials: _____ _____ _____ _____ _____]

14.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in California, without the necessity of first complying with sections 14.1 and 14.2 above or posting any bond, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of $1,000 will be a sufficient bond (this amount may be adjusted by changes in the CPI since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 14.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 14.1 or 14.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 14.3. Franchisee acknowledges that failure on Franchisee's part to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor, other franchisees or other persons or entities affiliated with Franchisor, and Franchisor and/or its affiliates are empowered to seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

14.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other “Expenses” (as defined in section 16.2(e) below) incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 14.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

14.5 Survival.

The terms of this Article XIV survive termination, expiration or cancellation of this Agreement.

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Franchisee's Obligations.

(a) If there is a termination, cancellation or expiration of this Agreement whether by reason of Franchisee's breach, default, non-renewal, lapse of time or other cause, in addition to any other obligations provided for in this Agreement, Franchisee must forthwith discontinue the use or display of the Marks in any manner whatsoever, and Franchisee may not thereafter operate or do business under the Marks or any other RAKKAN brand or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by Franchisor or the Owner of the Marks, including without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the Trade Dress. Franchisee must contact online review sites and other online directories and websites which have referred to Franchisee's Outlet during the 18 months prior to the date this Agreement terminates, is cancelled or expires, and request the removal of all use of the trademarks in connection with the former franchised Outlet (and the physical address of the former Outlet) and all use of former reviews from the period Franchisee was a RAKKAN franchisee. And, Franchisee also must comply with section 15.2 respecting the return to Franchisor of certain materials and must not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including, without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business.

(b) If there is a termination, cancellation or expiration as described in section 15.1(a) above, Franchisee must comply with section 11.2 of this Agreement respecting post-termination competition and promptly:

(i) Remove at Franchisee's expense all signs erected or used by Franchisee and bearing the Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor;

(ii) Erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by Franchisee the Marks and all words indicating that Franchisee is associated or affiliated with Franchisor;

(iii) Permanently discontinue all advertising of Franchisee that states or implies Franchisee is associated or affiliated with Franchisor or the System (if Franchisee engages in any business thereafter, Franchisee must use trade names, service marks or trademarks that are significantly different from those under which Franchisee had done business and must use sign formats that are significantly different in color and type face; and take all necessary steps to ensure that Franchisee's present and former employees, agents, officers, shareholders and partners observe the foregoing obligations); and

(iv) Assign all interest and right to use all telephone numbers and all listings applicable to the Outlet in use at the time of such termination to Franchisor and take all action necessary to change all such telephone numbers immediately and change all such listings as soon as possible.

(c) If Franchisee fails or omits to make or cause to be made any removal or change described in section 15.1(b)(i) through 15.1(b)(iv) above, then Franchisor will have the right within 15 days after written notice to enter Franchisee's Outlet or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at Franchisee's expense, which expenses Franchisee agrees to pay to Franchisor promptly upon demand; and Franchisee hereby irrevocably appoints Franchisor as Franchisee's lawful attorney upon termination of this Agreement with authority to file any document in the name of and on Franchisor's behalf for the purpose of terminating all of Franchisee's rights in any trade name Franchisee has used that contains any of the Marks.

15.2 Franchisor's Rights.

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any of Franchisor's rights against Franchisee and such termination, cancellation, expiration or assignment will not relieve Franchisee of any of Franchisee's obligations to Franchisor existing at the time of termination, cancellation, expiration or assignment or terminate those obligations of Franchisor which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) Franchisor may direct that all applicable suppliers immediately cease providing Franchisee with equipment, inventory, marketing materials, email access, website access, accessories and other items comprising or to be used to provide RAKKAN Products.

(c) Franchisee is obligated to return, at no expense to Franchisor, all copies of the Confidential Operations Manual and all other RAKKAN proprietary materials and any other items that were supplied by Franchisor for Franchisee's use without additional charge in connection with the operation of the Franchised Business. Franchisee must also permanently erase anything relating to Franchisor or the Franchised Business from any computers and other media storage devices Franchisee retains after expiration, cancellation or termination of this Agreement.

(d) Within 30 days after termination, expiration or non-renewal of this Agreement, Franchisor has the option, but not the obligation, to purchase all or any portion of Franchisee’s reusable inventory, apparel containing the Marks, proprietary equipment, parts, fixtures and furnishings owned and used by Franchisee in Franchisee’s franchised operation. Franchisor will be permitted to deduct and withdraw from the purchase price to be paid to Franchisee all sums then due and owing to Franchisor. The purchase price for Franchisee’s inventory of apparel containing the Marks will be at Franchisee’s cost for said items. The purchase price for the proprietary equipment, parts, fixtures and furnishings will be the fair market value thereof as Franchisee and Franchisor mutually determine. In determining the fair market value of such items, Franchisee and Franchisor agree to exclude any factor or increment for goodwill or going concern value. The purchase price to be paid to Franchisee will be paid in cash at the closing of any purchase. The closing will occur no less than 30 days from the date Franchisor exercises its option to purchase unless Franchisee and Franchisor are unable to agree on the fair market value of the assets to be purchased. If Franchisee and Franchisor are unable to reach agreement within a reasonable time as to the fair market value of the items Franchisor has agreed to purchase, Franchisor will designate an independent appraiser, and the

appraiser's determination will be binding. Franchisee and Franchisor must each pay 50% of the fee charged by the independent appraiser.

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement must be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to Franchisor:

RAKKAN USA Franchise, LLC
1025 W. 190th St., Suite 160
Gardena, CA 90248
Phone: (424) 329-0513

(ii) If to Franchisee:

_____
_____
_____
Phone:

(b) Notices between Franchisee and Franchisor will be deemed given the earlier of (i) next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day or (ii) when otherwise delivered in person by an agent of the sending party.

(c) Any change in the addresses listed in section 16.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier or in person by an agent of the sending party.

(d) Any notices sent to Franchisee which include a statement of intent to terminate or not renew the Franchise must provide (i) the reasons why and (ii) the effective date of such termination or nonrenewal or expiration.

16.2 Indemnity.

(a) Franchisee and its Principal Equity Owners, jointly and severally, hereby agree to protect, defend and indemnify Franchisor, and Franchisor's past, present and future owners, affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them harmless from and against all Losses arising out of or in connection with any “Proceeding” (as defined in section 16.2(f) below) concerning Franchisee's intentional tort or negligence, or the intentional tort or negligence of Franchisee's agents, servants or representatives, relating to Franchisee's development, maintenance or operation of the Outlet and the Franchised Business, except if caused by Franchisor's intentional misfeasance, gross negligence or material default of any terms of, or Franchisor's obligations arising under, this Agreement.

(b) Franchisor hereby agrees to protect, defend and indemnify Franchisee, its Principal Equity Owners, other owners, affiliates, officers, directors, employees and attorneys and each of them, from any Losses any of them may incur as a result of any third party Proceeding arising out of Franchisor's intentional misfeasance, gross negligence or material breach of Franchisor's obligations under this Agreement, except if caused by the intentional misfeasance of, negligence of, or material breach by, Franchisee (or any of its Principal Equity Owners, or other owners, affiliates, officers, directors, employees or attorneys of Franchisee) of any terms of, or Franchisee's obligations arising under, this Agreement.

(c) For the indemnification to be effective, each indemnified party (“Indemnified Party”) will give the indemnifying party (“Indemnifying Party”) reasonable notice of each claim or loss for which the Indemnified Party demands indemnity and defense, except that failure to provide such notice will not release the Indemnifying Party from any obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnifying Party will assume, at its sole cost and expense, the defense of such Proceeding through legal counsel reasonably acceptable to the Indemnified Party, except that the Indemnified Party may at its option

and expense select and be represented by separate counsel. The Indemnifying Party will have control over the Proceeding, including the right to settle in its reasonable discretion (but only if the settlement includes a full release of all claims against the Indemnified Party), and provided further, the Indemnifying Party will not, absent the written consent of the Indemnified Party, consent to the entry of any judgment or enter into any settlement that: (i) provides for any admission of liability on the part of the Indemnified Party or relief other than the payment of monetary damages for which the Indemnifying Party will be solely liable; or (ii) adversely affects the rights of the Indemnified Party under this Agreement, or (iii) does not release the Indemnified Party from all Proceedings and "Losses" (as defined in section 16.2(d) below) in respect thereof. In no event will the Indemnified Party be liable for any Losses that are compromised or settled in violation of this section 16.2. The Indemnifying Party's duty to defend is independent of its duty to indemnify. Each indemnified party must submit all its claims to its insurers in a timely manner. Any payments made by an indemnified party will be net of benefits received by any indemnified party from insurance coverage in respect of such claims.

(d) The term "Losses" means, refers to, and includes all "Expenses" (as defined in section 16.2(e) below), liabilities, obligations, losses, fines, penalties, costs, or damages including all reasonable out of pocket fees and disbursements of legal counsel in the investigation or defense of any of the same or in asserting any party's respective rights hereunder but excluding punitive damages (unless resulting from third party claims).

(e) The term "Expenses" means, refers to, and includes, all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding casts, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses will also include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreements, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent.

(f) The term "Proceeding" means, refers to, and includes any threatened pending or completed suit, claim, demand, action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether civil, criminal, administrative or investigative.

(g) The indemnification provided in this section 16.2 is a continuing right and will survive the expiration or termination of this Agreement. The parties hereto further acknowledge and agree that they intend the indemnification provided in this section 16.2 to be interpreted and enforced in a manner providing the fullest extent of indemnification to the Indemnified Party now or hereafter permitted by law.

16.3 Franchisee's Relationship to Franchisor as Franchisee.

It is expressly agreed by the parties they intend by this Agreement to establish between themselves the relationship of franchisee and franchisor. It is further agreed neither Franchisee nor any Principal Equity Owner has the authority to create or assume in Franchisor's name or on Franchisor's behalf, any obligation, express or implied, or to act or purport to act as agent or representative on Franchisor's behalf for any purpose whatsoever. Neither Franchisee (nor any Principal Equity Owner) nor Franchisor is the employer, employee, agent, partner, fiduciary or co-venturer of or with the other, each being independent. Franchisee and all Principal Equity Owners jointly and severally agree none will hold itself out as Franchisor's agent, employee, partner or co-venturer or the Owner of the Marks. All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be deemed employees or agents of Franchisor or the Owner of the Marks, nor subject to Franchisor's control; and in particular, Franchisor will have no authority to exercise control over the hiring or termination of these employees, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks. Franchisee and Franchisor agree to file their own tax, regulatory and payroll reports with respect to their respective employees or agents and operations.

16.4 Customer Reviews.

Franchisee agrees to diligently consider customer reviews and respond to customer indications of dissatisfaction with services rendered by Franchisee, its employees and agents, in a diligent and professional manner and Franchisee agrees to cooperate with representatives of Franchisor or the Owner of the Marks in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities.

16.5 No Third-Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than financing sources to whom Franchisor may have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

16.6 Survival of Covenants.

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

16.7 Successors and Assigns.

Subject to restrictions on Assignment by Franchisee contained herein, this Agreement is binding upon (i) Franchisor and inures to the benefit of Franchisor's successors and assigns, (ii) Franchisee and inures to the benefit of Franchisee's successors and assigns, and (iii) Principal Equity Owners and inures to the benefit of their respective successors and assigns.

16.8 Joint and Several Liabilities.

If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

16.9 Titles for Convenience Only.

Section titles used in this Agreement are for convenience only and do not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

16.10 Gender.

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

16.11 Severability; Partial Invalidity.

If any term or provision of this Agreement is held to be invalid or unenforceable, the remaining portions will continue to be valid and will be performed, construed and enforced to the fullest extent permitted by law, and the invalid or unenforceable term will be deemed amended and limited in accordance with the intent of the parties, as determined from the face of the Agreement, to the extent necessary to permit the maximum enforceability or validation of the term or provision.

16.12 Counterparts.

This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and both of which together will be deemed to be one and the same instrument.

16.13 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws.

(a) Franchisee and each of the Principal Equity Owners certify that none of Franchisee, the Principal Equity Owners, employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (available at http://treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html). Franchisee covenants not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, the Principal Equity Owners, employees or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee and each of the Principal Equity Owners will comply with and assist Franchisor as much as possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and each of the Principal Equity Owners certify, represent and warrant that none of Franchisee's respective property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and the Principal Equity Owners are not otherwise in

violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws. Franchisee specifically acknowledges and agrees that its indemnification responsibilities as provided in this Agreement also pertain to its obligations under this section 16.13. Any misrepresentation by Franchisee under this section 16.13 or any violation of the Anti-Terrorism Laws by Franchisee, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement Franchisee executed with Franchisor or one of Franchisor's Affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and any other requirements of any United States governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) Neither Franchisee nor any Principal Equity Owner conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under any applicable Anti-Terror Legislation.

(c) Neither Franchisee nor any Principal Equity Owner nor any employee of either is named as a "Specially Designated National" or "Blocked Person" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control and published at www.treas.gov/offices/enforcement/ofac/sdn/. Franchisee acknowledges that Franchisee is not directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States of America, nor does Franchisee or any Principal Equity Owner act directly or indirectly on behalf of the government of any country that is subject to an embargo imposed by the United States of America. Franchisee and the Principal Equity Owners agree that Franchisee will notify Franchisor in writing immediately of the occurrence of any event that renders the foregoing representations and warranties of this section 16.13 incorrect.

[Franchisee's Initials: _____ Principal Equity Owners' Initials: _____ _____ _____ _____ _____]

16.14 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 *et seq*.) governs the arbitration of disputes under this Agreement. Otherwise, the laws of the state where the Outlet is located govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

16.15 Entire Agreement.

(a) The parties to this Agreement each acknowledge and warrant to each other that they wish to have all of the terms of this business relationship defined solely in and by this written Agreement and the Confidential Operations Manual. Recognizing the costs on all parties which attend uncertainty, the signatories to this Agreement each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings (which have been or may in the future be exchanged between them) serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, the signatories each agree and promise each other that this Agreement, the Confidential Operations Manual, and the representations made by Franchisor in RAKKAN Franchise Disclosure Document ("FDD") that was provided to Franchisee, supersede and cancel any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements, understandings or any other term), by any of the parties or by anyone acting on their behalf, with respect to the rights and obligations of the parties to this Agreement or the relationship between them. Each signatory to this Agreement agrees and promises the other that they have placed, and will place, no reliance on any such discussions or writings.

(b) In accordance with the foregoing section 16.15(a), the parties to this Agreement agree that this Agreement, and the Confidential Operations Manual, constitutes the entire agreement between the parties and contain all of the terms, conditions, rights and obligations of the parties with respect to the Franchised Business contemplated by this Agreement and any other aspect of the relationship between the parties; provided however,

that nothing in this Agreement or in any related agreement or writing is intended to disclaim the representations made in the FDD that was provided to Franchisee.

(c) This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto.

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective only upon the execution thereof by Franchisee and by Franchisor and only after Franchisee was provided a complete FDD. HOWEVER, THIS AGREEMENT IS NOT BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY FRANCHISOR.

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations.

(a) Franchisee and each of Franchisee's Principal Equity Owners hereby jointly and severally represent and warrant that the following statements in this section 18.1 are true and accurate.

(b) Franchisee does not seek to obtain the Franchise for speculative or investment purposes and has no present intention to sell or transfer or attempt to sell or transfer the Franchised Business or the Franchise within 12 months after the Opening Date.

(c) Franchisee understands and acknowledges the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Confidential Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Confidential Operations Manual. Franchisee represents that it has the capabilities, professionally, financially and otherwise, to comply with Franchisor's standards.

(d) If Franchisee is an entity, Franchisee is duly organized and qualified to do business in the state and any other applicable jurisdiction within which the Outlet is located.

(e) Franchisee's execution of this Agreement will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(f) Any individual executing this Agreement on Franchisee's behalf is duly authorized to do so and the Agreement constitutes a valid and binding obligation of Franchisee and all Principal Equity Owners.

(g) Franchisee and its Principal Equity Owners (i) carefully read this Agreement and all other related documents to be executed by Franchisee concurrently or in conjunction with the execution hereof, (ii) conducted an independent investigation of the business contemplated by this Agreement, (iii) obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, (iv) understand the nature of this Agreement, and (v) intend to comply with the terms hereof and be bound hereby. Franchisee also recognizes that the Franchise involves significant risks, making the success of the Outlet largely dependent on Franchisee's abilities and attention. Franchisor expressly disclaims the making of, and Franchisee agrees that Franchisee has not received or relied on, any representation or warranty from Franchisor regarding the likelihood of Franchisee's success at Franchisee's Outlet or in Franchisee's operating the Franchised Business.

(h) IN ENTERING INTO THIS AGREEMENT, FRANCHISEE HAS NOT RELIED ON ANY REPRESENTATION BY FRANCHISOR, OR ANY OF FRANCHISOR'S OFFICERS, MANAGERS, DIRECTORS, PARTNERS, SHAREHOLDERS, EMPLOYEES OR AGENTS, CONCERNING THE FRANCHISED BUSINESS CONTRARY TO THE TERMS OF THIS AGREEMENT, THE DOCUMENTS INCORPORATED INTO THIS AGREEMENT (OR ATTACHED TO IT), OR THE FDD THAT WAS PROVIDED TO FRANCHISEE.

(i) Franchisee agrees that complete and detailed uniformity among RAKKAN franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that Franchisor, in its sole discretion, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. Franchisee further agrees that Franchisor has no obligation to disclose or offer the same or similar variances to Franchisee. Franchisee is aware

that other RAKKAN franchisees may operate under different agreements and, consequently, that Franchisor's obligations and rights as to those franchisees may differ materially in certain circumstances.

(j) Franchisee received a FDD and a copy of this Agreement at least 15 calendar days before it signed this Agreement.

(k) Franchisee made no payment to Franchisor before Franchisee signed this Agreement.

(l) Franchisee and each Principal Equity Owner acknowledge that in operating the System, Franchisor must consider the needs of the System as a whole, and the need to protect the Marks, even if Franchisor's actions are contrary to Franchisee's individual interests as a franchisee.

(m) Franchisee and each Principal Equity Owner acknowledge that the success of the business venture is speculative and depends in large part on Franchisee's participation in the daily affairs of the Franchised Business.

18.2 Additional Information Respecting Franchisee and Franchisee's Principal Equity Owners.

(a) Attached as Exhibit 2 is a schedule containing complete information regarding Franchisee's Principal Equity Owners.

(b) The address (written notice of any change in this information after the Effective Date must be delivered to Franchisor pursuant to section 16.1 hereof) where Franchisee's financial and other records are maintained is either [ ] the same address as provided in section 16.1 hereof, or [ ] the following address:

_____

_____.

18.3 Statement of Policy.

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.

IN WITNESS WHEREOF, and each signatory being jointly and severally liable, the parties hereto executed this Agreement as of the Effective Date.

FRANCHISEE:

_____

By: _____

_____
[PRINTED NAME AND TITLE]

FRANCHISEE'S PRINCIPAL EQUITY OWNERS:
(*Note: each Principal Equity Owner is signing below as a party to this Agreement, and is individually obligated to perform or guarantee the performance by an entity franchisee of all duties and obligations of the franchisee under this Agreement)*

x_____

_____
[PRINTED NAME]

x_____

_____
[PRINTED NAME]

x_____

_____
[PRINTED NAME]

x_____

_____
[PRINTED NAME]

x_____

_____
[PRINTED NAME]

FRANCHISOR:

RAKKAN USA Franchise, LLC

By: _____
Ryohei Ito
Chief Executive Officer

List of Exhibits to Franchise Agreement:

Exhibit 1 – Territory and Location of Outlet

Exhibit 2 – Names and Addresses of Principal Equity Owners

Exhibit 3 – Rider Lease

EXHIBIT 1 - TERRITORY AND LOCATION OF OUTLET

The Territory is either [ ] a radius of ___ miles around the Outlet or [ ] the geographical area surrounding the Outlet as depicted in a map attached to this Exhibit 1.

The Outlet is located at:

_____

_____

_____

(If the address of the Outlet is unknown when this Agreement is signed, as soon as the address is determined it will be inserted later into the space above or added by addendum attached to this Exhibit 1.)

EXHIBIT 2 - NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS

If Franchisee is an entity, list below the names, residential addresses and respective percentage equity ownership interests of each Principal Equity Owner:

1. _____ _____%

2. _____ _____%

3. _____ _____%

4. _____ _____%

5. _____ _____%

EXHIBIT 3 - FRANCHISE PREMISES LEASE AGREEMENT RIDER

THIS RIDER has been entered this _____ day of _____, 20____. It is by and between _____, ("Landlord") and _____ (jointly and severally "Tenant").

On or about _____, 20____, Landlord and Tenant executed a lease agreement (the "Lease Agreement") by which Tenant leased from Landlord real property for Tenant's operations of a RAKKAN franchise at the following location: _____ (the "Franchise Premises").

On or about _____, 20___, Tenant and RAKKAN USA Franchise, LLC (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Tenant to operate a RAKKAN franchise at the Franchise Premises.

Landlord and Tenant desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. **Use of Franchise Premises**. Landlord acknowledges and agrees that the Franchise Premises may be used only for the operation of a RAKKAN facility. Landlord permits Tenant to use and display the following service marks, trademarks, and commercial logos: RAKKAN and all other marks that Franchisor has developed or develops in the future for a RAKKAN facility.

2. **Landlord's Reports and Disclosures to Franchisor**. Tenant acknowledges and agrees that Landlord may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Landlord's possession respecting sales made in, upon, or from the Franchise Premises and Tenant's business operations.

3. **Assignment to Franchisor**. Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord's consent, the Lease Agreement and Tenant's right, title and interest, may be assigned by Tenant to Franchisor, without cost or penalty. Landlord grants to Franchisor the right, at Franchisor's election, to receive an assignment of the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Tenant's Franchise Agreement. This option may be exercised by Franchisor within 30 days of such termination or expiration.

4. **Tenant's Default; Notice to Franchisor**. Landlord will give written notice to Franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant under the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within **15** business days after the expiration of the period in which Tenant had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

RAKKAN USA FRANCHISE, LLC
1025 W. 190th St., Suite 160
Gardena, California 90248

5. **Franchise Premises De-identification**. Upon termination, expiration, or non-renewal of the Lease Agreement, Tenant may de-identify the Franchise Premises. If Tenant fails to do so, Landlord gives Franchisor the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the cooler scheme used by Franchisor; and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks.

6. **Renewal, Extension, or Cancellation of the Lease Agreement**. Landlord will not extend, renew, or cancel the Lease Agreement without Franchisor's prior written consent, which consent will not be unreasonably withheld.

7. **Third Party Beneficiary**. Tenant and Landlord acknowledge and agree that Franchisor is a third party beneficiary of this Lease Agreement Rider, and Franchisor is entitled to all rights and remedies conferred upon Franchisor under this Lease Agreement Rider (which Franchisor may enforce directly against Tenant or Landlord, with or without the consent or joinder of Tenant). Notwithstanding anything contained in this Lease Agreement

Rider, Franchisor will have no liability under the Lease or this Lease Agreement Rider unless Franchisor expressly enters into a written agreement with Landlord.

8. **Signatures**.

IN WITNESS, the parties have executed this Lease Agreement Rider on the day and year first above written.

("Landlord"): _____

By: _____
Title: _____
("Tenant"): _____

By: _____
Title: _____

RAKKAN USA Franchise, LLC

AREA DEVELOPMENT AGREEMENT

EXHIBIT C

TABLE OF CONTENTS

I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS 1

1.1 Additional Outlets. 1
1.2 Franchise Agreements. 1
1.3 Term. 2
1.4 No Subfranchising Rights. 2

II. DEVELOPMENT OBLIGATIONS 2

2.1 Development Obligations. 2
2.2 Timing of Execution of Leases and Franchise Agreements. 2
2.3 Force Majeure. 2
2.4 Termination of Agreement and Limited Additional Development Rights. 3

III. DEVELOPMENT FEE 3

3.1 Development Fee. 3
3.2 Franchise Agreements for Additional Outlets. 4

IV. TRANSFER OR ASSIGNMENT 4

4.1 Assignability. 4
4.2 Transfers from Area Developer to an Affiliated Entity. 4

V. NON-COMPETITION 4

5.1 Restriction on Competitive Activities. 4
5.2 Website and Unauthorized Advertising. 4

VI. DEFAULT AND TERMINATION 5

6.1 General. 5
6.2 Operation of Opened Outlets after Termination or Expiration. 5

VII. DISPUTE RESOLUTION 5

7.1 Initial Steps to Resolve a Dispute; Mediation. 5
7.2 Arbitration. 6
7.3 Injunctive Relief. 7
7.4 Legal Fees and Expenses. 7
7.5 Survival. 7

VIII. NOTICES 7

8.1 Notices. 7

IX. GENERAL TERMS AND PROVISIONS 8

9.1 Governing Law. 8
9.2 Modification. 8
9.3 Waiver and Delay. 8
9.4 Severability; Partial Invalidity. 8
9.5 Titles for Convenience Only. 8
9.6 No Third-Party Beneficiaries. 8
9.7 Survival of Covenants. 8
9.8 Successors and Assigns. 8
9.9 Counterparts. 9
9.10 Entire Agreement. 9

EXHIBIT 1 - DEVELOPMENT SCHEDULE 11

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is made on _____, 20_____ (the "Effective Date") by and between RAKKAN USA Franchise, LLC, a California limited liability company doing business as "RAKKAN Ramen "("Franchisor"), and _____ _____ ("Area Developer"), and (if Area Developer is not a sole proprietorship) each person owning 20% or more of the Area Developer entity, which will sign and be a party to this Agreement (in such context, "Principal Equity Owner").

Area Developer or its affiliated company is concurrently entering into a Franchise Agreement with Franchisor, under the terms of which the franchisee is being granted a right to open and operate a RAKKAN franchised business at a retail Outlet ("Outlet") Franchisor has consented to, under the RAKKAN trademarks and in accordance with Franchisor's business format.

In consideration of the mutual promises, covenants, agreements and conditions contained in this Agreement, and other good and valuable consideration, Area Developer and Franchisor hereby agree as follows.

I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS

1.1 Additional Outlets.

(a) Subject to the terms and conditions contained herein, Franchisor hereby grants to Area Developer the right to, and Area Developer hereby agrees to, establish and operate itself, or through affiliated entities, additional Outlets in accordance with the schedule of openings attached hereto as Exhibit 1 (the "Development Schedule").

(b) So long as Area Developer's obligations under the Development Schedule are being met on a timely basis and until this Agreement terminates, Franchisor will not itself operate an Outlet within the geographical area (the "Development Area") indicated in the Development Schedule, nor allow any of its affiliates, or other licensees or Area Developers, to do so. Notwithstanding the foregoing, Franchisor may participate in any event, festival, or exhibition held in the Development Area as a food vendor for the purpose of advertising and promoting the RAKKAN brand.

(c) Area Developer's rights to open and operate Outlets under this Agreement do not extend to a "Non-Traditional Venue" (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, including toll roads, stadiums, airports, colleges and universities, schools, hospitals, military and other governmental facilities, office facilities, and any site for which the lessor, owner or operator thereof has indicated its intent to prefer or limit the operation of its facilities to a master concessionaire or contract service provider).

(d) If Franchisor becomes insolvent or declares bankruptcy or is 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 this Agreement unless a state or federal court issues an order otherwise.

(e) For each additional Outlet opened under this Agreement, Area Developer must hire a General Manager with a background in the restaurant business that is satisfactory to Franchisor or take the Initial Training program required under the Franchise Agreement. Area Developer acknowledges and agrees that Franchisor will solely determine whether or not the General Manager has satisfactorily completed the initial training or has a sufficient background in the restaurant business to be able to manage the Outlet.

1.2 Franchise Agreements.

(a) When Area Developer (or its affiliated entity) opens an additional Outlet under the Development Schedule, Area Developer (or its affiliated entity) must enter into Franchisor's then current form of the Franchise Agreement for that additional Outlet (provided that the economic terms, specifically royalty and advertising fees, of such Franchise Agreements for the additional Outlet will not change from the economic terms of the first Franchise Agreement Area Developer (or its affiliated entity) executed with Franchisor). So long as Area Developer is in good standing under this Agreement, Area Developer (or its affiliated entities)

will continue to have the right to open and operate Outlets in the Development Area in accordance with the Development Schedule.

(b) Each Franchise Agreement executed pursuant hereto will provide that Franchisor and its affiliates may not open or operate, or franchise or license the operation of, any other Outlet within the protected "Territory" of the Outlet (a defined area surrounding the Outlet) opened by Area Developer (or its affiliated entity) pursuant to such Franchise Agreement.

1.3 Term.

The term of this Agreement commences on the Effective Date and, unless sooner terminated by Area Developer's material breach hereof, will continue until termination as provided in section 2.4 hereof. There will be no extensions or renewal periods relating to the Development Schedule unless done so in writing. Upon termination of this Agreement, Area Developer (and its affiliated entities) will no longer have the right to open future Outlets under the Development Schedule.

1.4 No Subfranchising Rights.

Neither Area Developer nor any of its affiliated entities has the right under this Agreement to enter into subfranchised RAKKAN franchise agreements with anyone.

II. DEVELOPMENT OBLIGATIONS

2.1 Development Obligations.

(a) Area Developer (or its affiliated entity) must construct, equip and open each additional Outlet not later than the date specified in Exhibit 1 applicable to the Outlet, and thereafter continue to operate the Outlet or assign it with Franchisor's consent to another RAKKAN Area Developer.

(b) Any Outlet developed hereunder that is open and operating and which has been assigned to an affiliate of Area Developer, or to another RAKKAN Area Developer, or to a third party with Franchisor's consent will continue to be considered as partial satisfaction of Area Developer's obligations under the Development Schedule for so long as the assignee remains in good standing under the Franchise Agreement relating to that Outlet.

2.2 Timing of Execution of Leases and Franchise Agreements.

(a) Notwithstanding anything to the contrary contained herein, on or before the date that is 90 days before the date an Outlet is required to be opened, Area Developer (or its affiliated entity) must have executed a lease and Franchise Agreement for the Outlet, and paid the balance of the Initial Franchise Fee under the Franchise Agreement for that Outlet.

(b) Regarding the location, equipping, opening and operation of an additional Outlet that Area Developer (or its affiliated entity) is opening under the Development Schedule, Area Developer (or its affiliated entity) must comply with the Franchise Agreement that is applicable to that Outlet.

2.3 Force Majeure.

(a) The term "*Force Majeure*" means natural disasters (such as tornadoes, earthquakes, hurricanes, floods, fires or other natural catastrophes); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which Area Developer could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by any federal, state, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with Area Developer by any lender, landlord, or other person will be a *Force Majeure*, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act that is otherwise a *Force Majeure*. For the avoidance of doubt, Area Developer's financial inability to perform or Area Developer's insolvency will not be a *Force Majeure* hereunder.

(b) Subject to Area Developer's continuing compliance with section 2.3(c) below, should Area Developer be unable to meet Area Developer's development obligation for a scheduled additional Outlet

solely as the result of a *Force Majeure* which results in Area Developer's inability to construct or operate the Outlets pursuant to the terms of this Agreement, the date on which the scheduled additional Outlet is to be opened will be extended by an amount of time equal to the time period during which the *Force Majeure* exists.

(c) In the event of the occurrence of a *Force Majeure*, Area Developer must notify Franchisor in writing within 10 business days following commencement of the alleged *Force Majeure* of the specific nature and extent of the *Force Majeure*, and how it has impacted Area Developer's performance hereunder. Area Developer must continue to provide us with updates and all information as may be requested by Franchisor, including Area Developer's progress and diligence in responding to and overcoming the *Force Majeure*.

(d) Franchisor will not be liable to Area Developer for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Area Developer as a result of any conduct except in the case of Franchisor's gross negligence or intentional misfeasance.

2.4 Termination of Agreement and Limited Additional Development Rights.

(a) Once Area Developer opens all additional Outlets specified in the Development Schedule, this Agreement becomes moot and unless a new Development Schedule is agreed to by the parties, this Agreement will automatically terminate. However, all rights under each Franchise Agreement Area Developer (or its affiliated entity) enters into respecting the additional Outlets shall remain in full force and effect. If Area Developer desires to engage in further development in excess of the obligations committed to under the Development Schedule, Area Developer must at the earlier of (i) 180 days prior to the scheduled expiration of the term hereof or (ii) the date on which acceptance of the proposed site for the last Outlet required to meet the Development Schedule is issued, notify Franchisor in writing of Area Developer's desire to develop additional Outlets. Area Developer must present its plan for such development over a new term, setting forth the number of proposed Outlets and the deadlines for the development of each of them within such proposed term. Franchisor has the sole discretion to determine whether such additional development is desirable, and if Franchisor agrees to allow Area Developer to develop additional Outlets, it will be subject to the conditions set forth in section 2.4(b) below. Otherwise, the development rights granted under this Agreement may not be extended.

(b) Area Developer's rights to additional development described in this section 2.4 are subject to Area Developer's fulfillment of the following conditions:

(i) Area Developer (and each of Area Developer's affiliates that have developed or operate Outlets) must have fully performed all of Area Developer's obligations under this Agreement and all other agreements between Area Developer (or the applicable affiliate) and Franchisor.

(ii) Area Developer must have demonstrated to Franchisor of Area Developer's financial capacity to perform the additional development obligations set forth in any restated or revised Development Schedule. In determining whether Area Developer is financially capable, Franchisor will apply the same criteria to Area Developer as Franchisor applies to prospective RAKKAN Area Development developers at that time.

(iii) Area Developer and Franchisor must agree to, and initial, a restated or revised Development Schedule.

III. DEVELOPMENT FEE

3.1 Development Fee.

(a) When Area Developer signs this Agreement, Area Developer must pay Franchisor the sum of $_____ as a "Development Fee" for Franchisor granting Area Developer the exclusive right to open ___ (must be not less than two) additional Outlets pursuant to the Development Schedule and within the Development Area.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the development fee owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the development agreement.

(b) The Development Fee is computed by multiplying the number of additional Outlets by $20,000. (For example, if Area Developer agrees to open three additional Outlets pursuant to this Agreement, the Development Fee would be $60,000.) **The Development Fee is not refundable**.

3.2 Franchise Agreements for Additional Outlets.

Each additional Outlet to be opened pursuant hereto will require Area Developer (or its affiliated entity) and Franchisor to execute a separate Franchise Agreement granting Area Developer (or its affiliated entity) the right to operate that additional Outlet, with a credit of $20,000 to be applied against the Initial Franchise Fee due under the Franchise Agreement for an additional Outlet, and Area Developer (or its affiliated entity) would then pay Franchisor the remaining balance of the Initial Franchise Fee, Territory Surcharge (if any), Design Fee and security deposit due under that Franchise Agreement.

IV. TRANSFER OR ASSIGNMENT

4.1 Assignability.

(a) Franchisor has executed this Agreement in reliance upon and in consideration of the singular personal qualifications, trust and confidence that Franchisor reposes in Area Developer. Accordingly, although Area Developer may assign individual Franchise Agreements, Area Developer may not assign this Agreement except as provided in Section 4.2 below.

(b) Franchisor may assign this Agreement in Franchisor's sole discretion and without Area Developer's consent, and Area Developer acknowledges that Franchisor is permitted to do so without liability or obligation to Area Developer, and Area Developer expressly and specifically waives any claims, demands or damages arising from or related to any such assignment.

4.2 Transfers from Area Developer to an Affiliated Entity.

Upon not less than 30 days' prior written notice to Franchisor, Area Developer may without Franchisor's consent, assign and transfer this Agreement to an entity that is (i) organized to operate as a developer of Outlets and (ii) entirely owned by Area Developer. Any assignment and transfer to an affiliated entity must be evidenced by a written instrument, in a form reasonably satisfactory to Franchisor, under the terms of which said business entity expressly assumes all of Area Developer's obligations hereunder, whether accrued at the time of such assignment or arising thereafter, and the assignee agrees to be bound by all the terms and conditions of this Agreement to the same extent and in the same manner as Area Developer is. A copy of said instrument, executed by both Area Developer and said business entity must be delivered to Franchisor before the effective date of the transfer.

V. NON-COMPETITION

5.1 Restriction on Competitive Activities.

During the term of this Agreement and for one year after it is terminated or expires, Area Developer and each of its "Principal Equity Owners" (persons owning more than 20% of Area Developer) must comply with the non-competition covenants contained in the last effective Franchise Agreement executed by Area Developer (or its affiliated entity) and Franchisor.

5.2 Website and Unauthorized Advertising.

During the term of this Agreement, neither Area Developer nor any of its Principal Equity Owners may establish a website or register an Internet domain name using, or otherwise advertise on the Internet or anywhere else, the trademark "RAKKAN", or any combination or derivations thereof, or similar marks, or any other trademarks of ours, except as Franchisor specifically authorizes in writing.

VI. DEFAULT AND TERMINATION

6.1 General.

In addition to a termination pursuant to section 2.4 above, this Agreement may be terminated by Franchisor if Area Developer (i) fails to substantially comply with any obligation, duty or promise under this Agreement, including the failure to open an Outlet within the time specified in the Development Schedule, after being given a notice of default and reasonable opportunity to cure the default (no more than 30 days), or (ii) is in material breach of any Franchise Agreement that Area Developer (or its affiliated entity) entered into with Franchisor.

6.2 Operation of Opened Outlets after Termination or Expiration.

If Franchisor terminates this Agreement for the reasons described in section 6.1 above, Area Developer (or its affiliated entities) will be able to maintain ownership and operation of the Outlets which Area Developer has developed so long as Area Developer is not in material breach of the applicable Franchise Agreements; however, Area Developer will forfeit (i) any further exclusive rights under the Development Schedule and this Agreement, and (ii) any rights to have a credit applied against the Initial Franchise Fee for Outlets that were not developed.

VII. DISPUTE RESOLUTION

7.1 Initial Steps to Resolve a Dispute; Mediation.

(a) Franchisor and Area Developer have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, considering the overall best interests of the entire System, as contemplated by this Agreement. To that end, Area Developer and Franchisor acknowledge that Area Developer and Franchisor need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between Franchisor and Area Developer are important aspects of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, “Dispute”) by first having Franchisor's executive officers and Area Developer's Principal Equity Owners meet at Franchisor’s principal executive office in person within five business days after a party notifies the other party that a Dispute has arisen (without their respective legal counsel) to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this section 7.1, the other party may immediately commence an arbitration proceeding pursuant to section 7.2 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section 7.1 above, within 10 business days after the date this conference took place (or should have taken place), Area Developer and Franchisor may submit the Dispute to non-binding mediation at a location in Los Angeles County, California (or another location mutually agreeable to both parties) conducted by a mutually acceptable mediator who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If the Dispute is not referred to mediation within 10 business days after the settlement conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to section 14.2 below. Any mediation proceedings should be completed within 60 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission because of its use in the mediation. The fees charged by a mediator and any other related fees and costs will be divided equally between the parties.

7.2 Arbitration.

(a) Any Dispute between Franchisor (and/or its affiliated entities) and Area Developer (and/or its Principal Equity Owners or affiliated entities) not settled through the procedures described in section 7.1 above, or any determination of the scope or applicability of this agreement to arbitrate, will be resolved through binding arbitration by one arbitrator from JAMS, Inc. ("JAMS"), and administered by JAMS in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by one arbitrator administered by any other mutually agreeable arbitration organization. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with this section 7.2.

(b) All hearings and other proceedings will take place at the JAMS business location in Los Angeles County, California, or other county where Franchisor's headquarters is then located, or if Franchisor so elects, at the JAMS business location nearest in the county where Franchisee's (or an applicable Principal Equity Owner's) principal place of business is then located.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. A limited amount of discovery is permitted within the discretion of the arbitrator (including affidavits, interrogatories and depositions). The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(d) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, FRANCHISEE ACKNOWLEDGES FRANCHISEE IS AGREEING TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHTS THAT FRANCHISEE MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS. ACCORDINGLY, FRANCHISEE EXPRESSLY AGREES TO WAIVE ANY RIGHT FRANCHISEE MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(e) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(f) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(g) The provisions of this section 7.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, this section 7.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Franchisor's Initials: _____ Area Developer's Initials: _____]
[Principal Equity Owners' Initials: _____ _____ _____ _____ _____]

7.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief, to seek a temporary restraining order or preliminary injunction from a court of competent jurisdiction in California, without the necessity of first complying with sections 7.1 and 7.2 above or posting any bond, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of $1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 7.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 7.1 or 7.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 7.3. Area Developer acknowledges that its failure to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor or other affiliated persons or entities, and Franchisor or Franchisor's affiliates are empowered to seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

7.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 7.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

7.5 Survival.

The terms of this Article VII survive termination, expiration or cancellation of this Agreement.

VIII. NOTICES

8.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement must be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to Franchisor:

RAKKAN USA Franchise, LLC
1025 W. 190th St., Suite 160
Gardena, CA 90248
Phone: (424) 329-0513

(ii) If to Area Developer:

_____
_____
_____
Phone:

(b) Unless previously delivered in person by an agent of the sending party, notices between Area Developer and Franchisor will be deemed given the next business day after deposit with a reliable overnight

courier, properly addressed and marked for delivery on the next business day.

(c) Any change in the addresses listed in section 8.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier or in person by an agent of the sending party.

IX. GENERAL TERMS AND PROVISIONS

9.1 Governing Law.

The laws of the state where the Development Area is located govern this Agreement, without regard to conflicts of laws. If any provision of this Agreement is impermissible under the governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision.

9.2 Modification.

This Agreement cannot be modified or changed except by a written instrument signed by all of the parties hereto.

9.3 Waiver and Delay.

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Area Developer and no failure, refusal or neglect by Franchisor either to exercise any of its rights hereunder or to insist upon strict compliance with or performance of Area Developer's obligations under this Agreement, will constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

9.4 Severability; Partial Invalidity.

If any term or provision of this Agreement is held to be invalid or unenforceable, the remaining portions will continue to be valid and will be performed, construed and enforced to the fullest extent permitted by law, and the invalid or unenforceable term will be deemed amended and limited in accordance with the intent of the parties, as determined from the face of the Agreement, to the extent necessary to permit the maximum enforceability or validation of the term or provision.

9.5 Titles for Convenience Only.

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

9.6 No Third-Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than financing sources to whom Franchisor has granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder under so-called "third party beneficiary rights" or otherwise.

9.7 Survival of Covenants.

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

9.8 Successors and Assigns.

Subject to the restrictions on any assignment by Area Developer contained herein, this Agreement is binding upon (i) Franchisor and inures to the benefit of its successors and assigns and (ii) Area Developer and inures to the benefit of its successors and assigns.

9.9 Counterparts.

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

9.10 Entire Agreement.

This Agreement contains all the terms and conditions agreed upon by Area Developer and Franchisor regarding the subject matter hereof, provided however, that nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the RAKKAN franchise disclosure document that was provided to Area Developer. No other agreements oral or otherwise will be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. Area Developer acknowledges that it executed this Agreement without reliance upon any unauthorized representation or promise.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

AREA DEVELOPER:

_____

By: _____

_____
[PRINTED NAME AND TITLE]

FRANCHISOR:

RAKKAN USA Franchise, LLC

By: _____
Ryohei Ito
Chief Executive Officer

AREA DEVELOPER'S PRINCIPAL EQUITY OWNERS:
(*Note: each Principal Equity Owner is signing below as a party to this Agreement, and is individually obligated to perform or guarantee the performance by an entity Area Developer of all duties and obligations of the Area Developer under this Agreement)*

x_____

_____
[PRINTED NAME]

x_____

_____
[PRINTED NAME]

x_____

_____
[PRINTED NAME]

x_____

_____
[PRINTED NAME]

x_____

_____
[PRINTED NAME]

EXHIBIT 1 - DEVELOPMENT SCHEDULE

The initial Outlet (or Outlet 1) is to be opened and operated under the concurrently signed Franchise Agreement. Additional Outlets will be opened at sites Franchisor reviews and consents to, all of which will be located in the "Development Area" described either [ ] in the map immediately following this Exhibit 1 or [ ] as follows:

_____
_____
_____

Area Developer must open (and thereafter maintain) Outlets in accordance with the following schedule (if more than five Outlets are committed to be opened, the schedule will be expanded appropriately):

NUMBER OF OUTLET	DATE BY WHICH OUTLET MUST BE OPENED
1	
2	
3	
4	
5	

Franchisor may defer a scheduled opening date in the table above if Franchisor determines, in its sole discretion, that Area Developer made a diligent effort to open an Outlet according to the schedule but was unable to do so for reasons beyond Area Developer's reasonable control.

RAKKAN USA Franchise, LLC

LIST OF FRANCHISE OUTLETS

EXHIBIT D

LIST OF FRANCHISE OUTLETS

As of December 31, 2023, the following franchised outlets were open and operating.

STATE	NAME	CITY/AREA	NO. OF OUTLETS	PHONE NO.
California	KN Partners LLC, Contact: Wesley Kim	Tustin, CA	1	(657) 207-2344
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
Colorado	HYF, LLC, Contact: Xin Hong Huang	Boulder, CO	1	(303) 444-0255
Georgia	KYCE Food LLC, Contact: Kazuhiro Tamaki	Johns Creek, GA	1	(770) 837-3529
Illinois	Ramen LLC, Contact: Kenny Lau	Chicago, IL	1	(773) 739-9239
Nevada	Embit Restaurants LLC, Contact: Wesley Kim	Las Vegas, NV	1	(702) 744-8024
Texas	Vondry Enterprises LLC, Contact: Christopher Lav	Houston, TX Katy, TX	3	(346) 867-2078
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, 2023, the following franchisees signed franchise agreements, but their outlets had not yet opened:

STATE	NAME	CITY/AREA	PHONE NO.
California	IDC Ramen, Contact: Vy Pham	Anaheim, CA	(626) 362-4787
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

RAKKAN USA Franchise, LLC

LIST OF TERMINATED FRANCHISES

EXHIBIT E

LIST OF TERMINATED FRANCHISES

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, 2023.

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

RAKKAN USA Franchise, LLC

STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT F

STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

California:
Commissioner of the Department
of Financial Protection and Innovation
2101 Arena Boulevard
Sacramento, CA 95834
(916) 445-7205

Hawaii:
Commissioner of Securities,
Dept. of Commerce and Consumer
Affairs, Business Registration Div.,
Securities Compliance Branch
335 Merchant St., Rm. 203
Honolulu, HI 96813-2921
(808) 586-2722

Illinois:
Office of the Attorney General
Franchise Division
500 S. 2nd St.
Springfield, IL 62701-1771
(217) 782-4465

Indiana:
Indiana Securities Division
Franchise Section
302 W. Washington St., Rm. E111
Indianapolis, IN 46204-2738
(317) 232-6681

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

Michigan:
Michigan Attorney General
Consumer Protection Division
PO Box 30213
Lansing, MI 48909-7713
(517) 373-7117

Minnesota:
Commissioner of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101-3165
(651) 539-1600

New York:
NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Flr.
New York, NY 10005-1495
(212) 416-8222

North Dakota:
Securities Department
600 E. Boulevard Ave., 5th. Flr.
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island:
Dept. of Business Regulations
Division of Securities
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920-4407
(401) 462-9527

South Dakota:
Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501-3168
(605) 773-3563

Virginia:
State Corporation Commission
Div. of Securities & Retail Franchising
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Washington:
Dept. of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater, WA 98501-6456
(360) 902-8760

Wisconsin:
Securities Division
201 W. Washington Ave., Ste. 300
Madison, WI 53703-2640
(608) 266-8557

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. If we register the franchise (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

California:
California Commissioner of the
Department of Financial Protection and Innovation
2101 Arena Boulevard
Sacramento, CA 95834
(916) 445-7205

Hawaii:
Hawaii Commissioner of Securities,
Dept. of Commerce and Consumer
Affairs, Business Registration Div.
335 Merchant St., Rm. 205
Honolulu, HI 96813
(808) 586-2744

Illinois:
Illinois Attorney General
500 S. 2nd St.
Springfield, IL 62701
(217) 782-4465

Indiana:
Indiana Secretary of State
200 W. Washington St., Rm. 201
Indianapolis, IN 46204
(317) 232-6681

Maryland:
Maryland Securities Commissioner
200 Saint Paul Pl.
Baltimore, MD 21202
(410) 576-6360

Michigan:
Michigan Corporation & Securities Bureau
Department of Commerce
6546 Mercantile Way
Lansing, MI 48911
(517) 373-7117

Minnesota:
Minnesota Commissioner of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101
(651) 539-1600

New York:
New York Secretary of State
One Commerce Plaza
99 Washington Ave., 6th Flr.
Albany, NY 12231-0001
(518) 473-2492

North Dakota:
North Dakota Securities Commissioner
600 E. Boulevard Ave., 5th. Flr.
Bismarck, ND 58505
(701) 328-4712

Rhode Island:
Director, Rhode Island Department of
Business Regulations
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota:
Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501-3168
(605) 773-3563

Virginia:
Clerk, Virginia State Corporation Commission
1300 E. Main St., 1st Flr.
Richmond, VA 23219
(804) 371-9733

Washington:
Dept. of Financial Institutions
Securities Division – 3rd Flr.
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin:
Administrator, Wisconsin
Division of Securities
201 W. Washington Ave.
Madison, WI 53703
(608) 261-9555

RAKKAN USA Franchise, LLC

REGISTRATION OF FRANCHISES IN OTHER STATES

EXHIBIT G

REGISTRATION OF FRANCHISES IN OTHER STATES

1. This proposed registration is effective in all states not requiring franchise registration and in the following states requiring franchise registration or notification:

   None

2. This proposed registration (or one substantially similar) is or will be shortly on file in:

   California
   Hawaii
   Illinois
   Indiana
   Maryland
   Minnesota
   New York
   North Dakota
   Rhode Island
   Virginia
   Washington
   Wisconsin

3. No states have refused, by order or otherwise, to register these franchises.

4. No states have revoked or suspended the right to offer these franchises.

5. The proposed registration of these franchises has not been withdrawn in any state.

RAKKAN USA Franchise, LLC

CONDITIONAL ASSIGNMENT OF TELEPHONE AND DIRECTORY LISTNG

EXHIBIT H

Exhibit H to RAKKAN Franchise Disclosure Document

CONDITIONAL ASSIGNMENT

_____ _____ _____ ("you") operate your franchise business at _____. In consideration of the granting of a franchise to you and other valuable consideration given by **RAKKAN USA FRANCHISE, LLC,** a California limited liability company ("us"), you assign to us all business telephone numbers; business telephone and internet listings; website addresses and domain names; and business email addresses you use in the operation of the franchise. We will hold this assignment, and will deliver it to interested third parties only upon termination of the Franchise Agreement between us and you dated _____.

DATED this ___ day of _____, 20___.

("we/us"): **RAKKAN USA FRANCHISE, LLC**

By: _____

Title: _____

(jointly and severally "you"):_____

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

Name of Corporation/LLC/Partnership: _____

By: _____ Title: _____

RAKKAN USA Franchise, LLC

Abandonment, Relinquish, & Termination of Assumed Fictitious Business Name

EXHIBIT I

Exhibit I to RAKKAN Franchise Disclosure Document

RAKKAN FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **RAKKAN USA FRANCHISE, LLC.**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name "**RAKKAN**":

1. Name of Applicant who is Using the Assumed or Fictitious Business Name:

   _____
   _____

   a(an) individual/partnership/corporation organized and doing business under the laws of the State of

   _____

2. Date When Original Assumed or Fictitious Business Name was filed by Applicant:

   _____

3. Address of Applicant's Registered Office in the State of: _____

   _____
   _____
   _____

4. Please cancel the Applicant's registration to use the name **RAKKAN.**

DATED: _____

_____
Applicant

By:_____

Title:_____

RAKKAN USA Franchise, LLC

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

EXHIBIT J

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

RAKKAN USA FRANCHISE, LLC
1025 W. 190th St., Suite 160
Gardena, California 90248
(424) 329-0513

I (we) hereby authorize RAKKAN USA FRANCHISE, LLC. (the "Company") to initiate Electronic Funds Transfer charges to my (our) bank account (indicated below) for payment of my (our) Royalty Fees and any other fees owed by me (us) to the Company under the Franchise Agreement and/or Area Development Agreement. This Authorization will remain in full force and effect until the Company receives written confirmation of termination of this Authorization via certified letter.

Financial Institution Name: _____

Account Number: _____

Branch Name: _____

Address: _____

City:_____ State:_____ ZIP:_____

I further certify that I have received a copy of the Authorization for my files.

Individual Name: _____

Corporate Name: _____

RAKKAN Franchise: _____

By:_____

Title:_____

Effective Date:_____

Please attach a voided blank check for verification purposes.

[VOIDED CHECK]

RAKKAN USA Franchise, LLC

AUHORIZATION FOR CREDIT CARD PAYMENT

EXHIBIT K

AUTHORIZATION FOR CREDIT CARD PAYMENT

RAKKAN USA FRANCHISE, LLC
1025 W. 190th St., Suite 160
Gardena, California 90248
(424) 329-0513

In the event I (we) default on my (our) Royalty Fees and any other fees owed by me (us) to RAKKAN USA FRANCHISE, LLC (the "Company") under the Franchise Agreement and/or Area Development Agreement, I hereby authorize the Company to charge my (our) credit card or debit card (listed below). This Authorization will remain in full force and effect until the Company receives written confirmation of termination of this Authorization via certified letter.

Name of person authorizing payment		
Name of credit cardholder		
Credit Card Type ☐ Visa ☐ Master ☐ Discover ☐ Amex		
Credit Card Number	Expiration Mo/Yr	Security Code (CVV2)
Card Holder Billing Address Street:		
City:	State:	Zip code:

Signature _____ Date _____

RAKKAN USA Franchise, LLC

FORM OF GENERAL RELEASE

EXHIBIT L

FORM OF GENERAL RELEASE

The Franchise Agreement provides that the franchisee must sign a General Release in a form satisfactory to the franchisor in certain circumstances, such as upon transfer or renewal of the franchise. Following is a form of General Release that is subject to change.

FORM OF GENERAL RELEASE

This General Release Agreement ("Agreement") is made this ___ day of _____, 20___. It is among RAKKAN USA Franchise, LLC ("Franchisor"), _____ and _____ (jointly and severally "Franchisee") and _____ and _____ (jointly and severally "Transferee").

RECITALS

On or about ____ day of _____, 20___, Franchisor and Franchisee entered into an RAKKAN Franchise Agreement (the "Franchise Agreement[s]") for the operation of an RAKKAN franchise at the following location: _____.

[NOTE: Describe the circumstances relating to the release, such as circumstances related to transfer or renewal of the franchise and relevant agreement dates.]

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

[1. Renewal of Franchise Agreement. The parties covenant and agree:

1. The Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties is terminated. The provisions of the Franchise Agreement concerning your obligations upon termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

2. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms. These forms may vary materially from the Franchise Agreement. Fees will be set at the currently prevailing rates and terms. The Franchise Premises must remain at the location designated in the Franchise Agreement unless we otherwise approve in writing.

3. You will reimburse us for the following reasonable out-of-pocket costs we incur concerning the renewal: _____.

4. You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the current Operations Manual and System. This includes: _____.

5. You or your designated manager will attend and successfully complete the following retraining programs at your expense, including travel, meals, lodging, and our current training fee of $_____:_____.]

[1. Franchise Transfer. The Parties covenant and agree:

A. The Franchise Agreement between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties are terminated, as between them. The provisions of the Franchise Agreement concerning the obligations of Franchisee upon termination and transfer will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Transferee agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreements as if Transferee had been named as the original franchisee in the Franchise Agreement. Transferee will execute all documents Franchisor or Franchisee may reasonably require to complete the transfer and assumption of the Franchise Agreements, including but not limited to execution of a new franchise contract in the form currently being used by Franchisor. The new franchise contract may contain economic and general terms which are materially different from those contained in the Franchise Agreement.

C. Franchisor enters into this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of Transferee.

D. All obligations of Franchisee in connection with the Franchise Agreement and the franchise are assumed by the Transferee. Franchisee will remain bound by its covenants in the Franchise Agreements that neither it nor its owners, officers, partners, or other persons enumerated in the Franchise Agreement will disclose confidential information nor compete with Franchisor or Franchisor's franchisees.

E. [All now ascertained or liquidated debts in connection with the franchise have been paid by Franchisee.] [Franchisee owes $--- in current obligations and will owe additional funds for franchise fees, advertising fees, and product purchases through the closing of this transfer transaction. Franchisee will pay all sums due to Franchisor and to product suppliers within 10 days of the relevant invoice or due date. All other now ascertained or liquidated debts in connection with the franchises have been paid by Franchisee.]

F. Franchisee is not in default in any way under the Franchise Agreement or any other agreement between it and Franchisor.

G. Transferee will pay for and complete to Franchisor's exclusive satisfaction the training programs now required of new franchisees. [Transferee has completed to Franchisor's satisfaction the training programs now required of new franchisees.] [Transferee has demonstrated to Franchisor's satisfaction sufficient ability to successfully operate the franchise]. Franchisee or Transferee have submitted to Franchisor, upon execution of this Agreement, a Transfer Fee in the amount of $---. Franchisor acknowledges receipt of this Fee in consideration for Franchisor's legal, accounting, credit check, training and investigation expenses incurred as a result of this transfer. [In addition, Franchisee has paid to Franchisor, contemporaneous with execution of this Agreement, a ___ percent commission on the gross transfer price (excluding the price of real property), in the amount of $__. Franchisor acknowledges receipt of this amount in consideration for having obtained Transferee for Franchisee.]

H. Transferee has met the standards established by Franchisor for quality of character, financial capacity and experience required of a new or renewing RAKKAN franchisee. Franchisee and Transferee have provided to Franchisor such information as Franchisor reasonably requested to evidence that Transferee meets these standards.

I. The lessor or sublessor of the Franchise Premises has consented to the assignment or sublease of the Franchise Premises to Transferee.

J. Franchisee and Transferee agree to subordinate to Transferee's obligations to Franchisor (including, without limitation, the payment of all franchise fees) any obligations of Transferee to Franchisee.

K. Transferee will assume possession and control of the equipment, furnishings, signs, supplies, inventory, advance paid deposits and other personal property and fixtures located on the Franchise Premises, except as follows:

_____

L. Franchisee will properly operate the franchises and maintain the Franchise Premises in clean and proper working order and will continue the employment of all current employees until Transferee assumes control of the businesses and [relocates] the Franchise Premises.

M. Franchisee will maintain a sufficient inventory and sufficient supplies on hand to provide for normal business operations through the second day after Transferee assumes control of the businesses and the Franchise Premises, except as follows:

_____.

N. Transferee agrees to place orders with product suppliers to maintain the inventory and supply levels following the closing of this transaction.

O. Franchisee and Transferee have entered into this Agreement for the transfer of Franchisee’s rights under the Franchise Agreements after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. Franchisee and Transferee acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by Franchisor in entering into

this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations.

P. Transferee will refurbish and remodel the Franchise Premises, and will refurbish, remodel and/or replace the fixtures, equipment and signage to conform to the current Operations Manual and System within 90 days of transfer. This includes: _____.]

[NOTE: The following Section 2 is for franchise transfers but not for franchise renewals:]

[2. Franchisee to Cease Using Trade Names, Marks, and Logos. Upon completion of the transfer, Franchisee will immediately cease using Franchisor's trade names, service marks, logos, and other marks, symbols or materials indicating that Franchisee is or was related to Franchisor in any way, except as otherwise provided in writing. Franchisee acknowledges that all such names, service marks, logos, and symbols are the exclusive property of Franchisor and that Franchisee has been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. Franchisee will remain jointly and severally bound to comply with the covenants in the Franchise Agreement which expressly or by reasonable implication are intended to apply to Franchisee after termination of the Franchise Agreement, including any applicable non-disclosure requirements. Franchisee will:

A. deliver to Transferee or Franchisor all copies of the Operations Manuals, training materials, and any other franchise-related materials in Franchisee's custody, control or possession (or destroy such materials if requested by Franchisor);

B. take action as required to transfer to Transferee all registrations relating to the use of all assumed names;

C. notify the telephone company and all listing agencies of the transfer of Franchisee's rights to use the franchise names and logos and classified and directory listings of the franchise;

D. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property;

E. refrain from doing business in any way that might tend to give the public the impression that Franchisee still is or was a franchisee in the franchise system;]

3. Communication of Confidential Information. Neither Franchisee nor its owners, officers, directors, or other persons enumerated in the Franchise Agreements will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of the RAKKAN franchise operations manuals, or any other nonpublic information related to the operation of the RAKKAN franchise system. Franchisee represents and warrants that neither it nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. Franchisee will continue to comply with all the confidentiality requirements of the Franchise Agreements.

[Nothing contained in this Agreement will preclude Franchisor or Franchisee from disclosing the fact of this Agreement or the amount paid by Transferee to Franchisor or to Franchisee.]

4. Release.

A. General. In consideration of the covenants and understandings set forth in this Agreement, Franchisee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents (“Released Parties”) from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties and out of any other action or relationship between the parties, or any of the Released Parties, arising prior to the date of this Agreement (except provisions in the Franchise Agreement concerning Franchisee’s obligations upon termination).

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

Franchisee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising

directly or indirectly out of the Franchise Agreement and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.

[In consideration of the covenants and understandings set forth in this Agreement, Transferee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of Transferee's existing franchise or license agreement(s) with us and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

Transferee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of Transferee's existing franchise or license agreement(s) with us and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.]

B. Waiver of Statute. This release is intended to waive, release and discharge all claims against Franchisor, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

The parties, with the advice of legal counsel, waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

5. Indemnification. Franchisee, for themselves and their heirs, successors, representatives, assigns, subsidiaries, divisions, and agents and each of them, agree to indemnify and hold harmless Franchisor and its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents and each of them against any liabilities, losses, damages, deficiencies, claims, costs, expenses, actions, suits, proceedings, investigations, demands, assessments, judgments, and costs of any nature resulting, directly or indirectly, from the operation of the franchise by Franchisee or Franchisee's agents or employees.

6. Miscellaneous Provisions.

A. Entire Agreement. This writing is the entire agreement between the parties and may not be modified or amended except by written agreement signed by the parties.

B. Joint and Several Liability. If Franchisee consists of more than one individual or entity, then their liability under this Agreement will be joint and several.

C. Waiver. No waiver of any covenant or breach of this Agreement will be a waiver of any subsequent breach of the same or any other covenant or authorize the subsequent breach of any covenant or condition.

D. Time of Essence. Time is of the essence of this Agreement.

E. Injunctive Relief. In addition to other remedies available at law or in equity, any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement.

F. Dispute Resolution. If a dispute arises, before taking any other legal action, the parties agree to participate in at least four hours of mediation in Redondo Beach, California in accordance with the mediation procedures of Arbitration Service of Redondo Beach, Inc. or of any similar organization that specializes in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

G. Costs and Attorneys' Fees. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its arbitration and court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

H. Governing Law. This Agreement is accepted in the State of California and will be governed by the laws of California, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the California franchise or business opportunity laws (if any). Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of California, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement, will be tried, heard, and decided in Redondo Beach, California.

I. Successors and Assigns. This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

J. Legal Representation. The parties acknowledge they have been represented by counsel and have been advised of the significance and ramifications of executing this Agreement.

K. Counterparts. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which, together, will constitute one and the same instrument.

[7. Effective Date. The effective date of this Agreement shall be the date the last party signs.]

[SIGNATURES APPEAR ON THE FOLLOWING PAGE.]

IN WITNESS WHEREOF, the parties have executed this Agreement.

"Franchisor": RAKKAN USA Franchise, LLC

By (Signature): _____

Printed Name: _____

Title: _____

"Franchisee":

By: _____
_____, an individual

By: _____
_____, an individual

[ENTITY NAME]

By (Signature): _____

Printed Name: _____

Title: _____

Instructions for signatures (above) for "Franchisee" and "Transferee": If you are a corporation, limited liability company or other business entity, then this Agreement should be signed by a company officer or owner authorized to sign on behalf of the company. Additionally, this Agreement must be signed by all officers and owners of the company as individuals.

RAKKAN USA Franchise, LLC

PERSONAL GUARANTEE

EXHIBIT M

ADDENDUM TO FRANCHISE AGREEMENT
PERSONAL GUARANTY AGREEMENT

THIS PERSONAL GUARANTY AGREEMENT (this "***Guaranty***") is given this _____ day of _____, 20___, by _____, jointly and severally (collectively, the "***Guarantors***").

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (including its exhibits) of even date (the "***Agreement***") by RAKKAN USA FRANCHISE, LLC, a California limited liability company (the "***Franchisor***"), with _____ a _____ corporation (the "***Franchisee***"), each of the undersigned personally and unconditionally (a) guarantees to the Franchisor, and its successor and assigns, for the term of the Agreement (including any renewal terms) and as provided in the Agreement, that the Franchisee will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and its exhibits, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including but not limited to the provisions related to confidentiality and non-disclosure of confidential information, non-competition, monetary obligations, dispute resolution, and indemnification.

Each of the undersigned waives: (1) acceptance and notice of acceptance by the Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right the undersigned may otherwise have to require that an action be brought against the Franchisee or any other person as a condition of liability.

Each of the undersigned consents and agrees that: (1) the direct and immediate liability of the undersigned under this Guaranty is joint and several; (2) the undersigned will render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so; (3) the liability of each of the undersigned is not contingent or conditioned upon pursuit by the Franchisor of any remedies against the Franchisee or any other person (including others of the undersigned); and (4) the liability of each of the undersigned will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which the Franchisor may grant to the Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned Guarantors further consents and agrees that:

1. Each Guarantor's liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, the Franchisee and the other owners of the Franchisee.

2. Each Guarantor will render any payment or performance required under the Franchise Agreement upon demand if the Franchisee fails or refuses punctually to do so.

3. This Guaranty will continue unchanged by the occurrence of any bankruptcy with respect to the Franchisee or any assignee or successor of the Franchisee or by any abandonment of the Franchise Agreement by a trustee of the Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for the enforcement of this Guaranty will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of the Franchisee or its estate in bankruptcy or of any remedy for the

enforcement of this Guaranty, resulting from the operation of any present or future provision of the U.S. Bankruptcy Code or other statute, or from the decision of any court or agency.

4. The Franchisor may proceed against one or more Guarantors and the Franchisee jointly and severally, or the Franchisor may, at its option, proceed against one or more Guarantors, without having commenced any action, or having obtained any judgment, against the Franchisee. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed by this Guaranty.

5. Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of amounts due pursuant to this Guaranty or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S):	PERCENTAGE OWNERSHIP IN FRANCHISEE:
Signed: _____ Print Name: _____	_____%
Signed: _____ Print Name: _____	_____%
Signed: _____ Print Name: _____	_____%

ADDENDUM TO AREA DEVELOPMENT AGREEMENT
PERSONAL GUARANTY AGREEMENT

THIS PERSONAL GUARANTY AGREEMENT (this "***Guaranty***") is given this _____ day of _____, 20___, by _____

_____, jointly and severally (collectively, the "***Guarantors***").

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (including its exhibits) of even date (the "***Agreement***") by RAKKAN USA FRANCHISE, LLC, a California limited liability company (the "***Franchisor***"), with _____ a _____ corporation (the "***Area Developer***"), each of the undersigned personally and unconditionally (a) guarantees to the Franchisor, and its successor and assigns, for the term of the Agreement (including any renewal terms) and as provided in the Agreement, that the Area Developer will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and its exhibits, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including but not limited to the provisions related to confidentiality and non-disclosure of confidential information, non-competition, monetary obligations, dispute resolution, and indemnification.

Each of the undersigned waives: (1) acceptance and notice of acceptance by the Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right the undersigned may otherwise have to require that an action be brought against the Area Developer or any other person as a condition of liability.

Each of the undersigned consents and agrees that: (1) the direct and immediate liability of the undersigned under this Guaranty is joint and several; (2) the undersigned will render any payment or performance required under the Agreement upon demand if the Area Developer fails or refuses punctually to do so; (3) the liability of each of the undersigned is not contingent or conditioned upon pursuit by the Franchisor of any remedies against the Area Developer or any other person (including others of the undersigned); and (4) the liability of each of the undersigned will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which the Franchisor may grant to the Area Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned Guarantors further consents and agrees that:

1. Each Guarantor's liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, the Area Developer and the other owners of the Area Developer.

2. Each Guarantor will render any payment or performance required under the Area Development Agreement upon demand if the Area Developer fails or refuses punctually to do so.

3. This Guaranty will continue unchanged by the occurrence of any bankruptcy with respect to the Area Developer or any assignee or successor of the Area Developer or by any abandonment of the Area Development Agreement by a trustee of the Area Developer. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for the enforcement of this Guaranty will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification,

change, release, or limitation of the liability of the Area Developer or its estate in bankruptcy or of any remedy for the enforcement of this Guaranty, resulting from the operation of any present or future provision of the U.S. Bankruptcy Code or other statute, or from the decision of any court or agency.

4. The Franchisor may proceed against one or more Guarantors and the Area Developer jointly and severally, or the Franchisor may, at its option, proceed against one or more Guarantors, without having commenced any action, or having obtained any judgment, against the Area Developer. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed by this Guaranty.

5. Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of amounts due pursuant to this Guaranty or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S):	PERCENTAGE OWNERSHIP IN AREA DEVELOPER:
Signed: _____ Print Name: _____	_____%
Signed: _____ Print Name: _____	_____%
Signed: _____ Print Name: _____	_____%

RAKKAN USA Franchise, LLC

SBA FRANCHISE AGREEMENT ADDENDUM

EXHIBIT N

Exhibit N to RAKKAN Franchise Disclosure Document

This Addendum is for use only with franchisees that are getting Small Business Administration (SBA) lender financing.

This Addendum is subject to change based on requirements that the SBA may impose.

ADDENDUM TO FRANCHISE[1] 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

RAKKAN USA Franchise, LLC

STATE AND PROVINCIAL LAW ADDENDUM

EXHIBIT O

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 5, 6, 7 and 9

(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 4.7

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.

Idaho

FDD Item 17, FA Section 9

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

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Illinois law governs the Franchise Agreement(s) and the Area Development Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement and an area development agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement and an area development agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal 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 80Cor (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 SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled **"Requirements for franchisee to renew or extend,"** and Item 17(m), entitled **"Conditions for franchisor approval of transfer"**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by 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 upon the franchisee by Article 33 of the General Business Law of the State of New York.

North Dakota

Due to the Franchisor's financial conditions, the North Dakota Securities Department imposed a deferral of Initial Franchise Fees.

The collection of initial franchise fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for 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.

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.

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

Item 17(i) of the Disclosure Document and Section 13.1 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 11.2 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".

Section 14.2.G and 13.1.D of the Franchise Agreement along with section 7.2.E of the Area Development 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 14.2.F of the Franchise Agreement and section 7.2.D of the Area Development 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.

South Dakota

Pursuant to Section 37-5B-5 of the South Dakota Codified Law, the South Dakota Securities Regulation Office imposed the deferral of Initial Franchise Fees due to the Franchisor's financial condition.

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.

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.

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

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, 2023, which is $306,575.

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.

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: _____

BRITISH COLUMBIA, CANADA ADDENDUM
TO
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

The following modifications and additions are part of the franchise disclosure document ("***FDD***") and Franchise Agreement ("***FA***") for franchises to be operated in the province of British Columbia, Canada. References in this Addendum to the "***Act***" mean the British Columbia Franchises Act. References in this Addendum to the "***Regulation***" mean the British Columbia Franchises Regulation.

U.S. Currency

All references to monetary amounts in the franchise disclosure documents and related agreements are in U.S. dollars. All payments to be made by franchisee to us or our affiliates under the franchise agreement are to be made in U.S. currency.

Terminology

Since there are no "attorneys" in Canada (but rather "barristers", "solicitors" and "lawyers") the term "attorneys' fees" in the FDD and FA is replaced with "legal fees."

Repatriation of Funds and Withholding Taxes

Franchisee agrees to pay any withholding taxes imposed on franchise fees, royalties, and interest payable to the franchisor. Upon request by the franchisor, franchisee will provide the franchisor with copies of receipts (or other suitable documentation) from the tax authorities. The franchisee agrees to take all reasonable steps to assist the franchisor in obtaining any tax credits arising from such withholding taxes that are available to the franchisor.

Provincial Laws

Provisions in the FDD and FA that require you to comply with applicable local, state and/or federal laws shall include provincial laws.

Dispute Resolution

Item 17 of the FDD contains a description of restrictions or requirements imposed by the franchise agreement with respect to arbitration, mediation or other alternative dispute resolution processes, including requirements relating to the location or venue of such a process. The FDD and FA do not limit section 12 *[attempt to affect jurisdiction void]* of the Act.

Financial Statements

The franchisor's audited financial statements are referenced in Item 21 of the FDD and attached as Exhibit A to the FDD.

Part 1 – Required Information about the Franchise

Business Background of Franchisor

The business background for the franchisor is found in Item 1 of the FDD. The franchisor does not have an attorney for service in British Columbia.

The number of franchises granted by the franchisor to franchisees during the 5-year period immediately preceding the date of the disclosure document is disclosed in Item 20 of the FDD and supplemented as follows: N/A.

Business Background of Directors, Officers and General Partners

The business background of the directors, the officers and the general partners of the franchisor is found in Item 2 of the FDD. In addition, following is an additional brief description of the prior relevant business experience of each person (to the extent not already covered in Item 2): N/A.

Previous Convictions and Pending Charges

During the 10-year period immediately preceding the date of this disclosure document, none of the following were convicted of fraud, unfair or deceptive business practices or a violation of a law that regulates franchises or business, and there is no charge pending against any such person involving such a matter: the franchisor, the franchisor's associate or a director, an officer or a general partner of the franchisor.

Administrative Orders and Proceedings

During the 10-year period immediately preceding the date of this disclosure document, none of the following were subject to an administrative order or penalty under a law that regulates franchises or business, or the subject of any pending administrative actions to be heard under such a law: the franchisor, the franchisor's associate or a director, an officer or a general partner of the franchisor.

Civil Proceedings

During the 10-year period immediately preceding the date of this disclosure document, none of the following were found liable in a civil action for misrepresentation, engaging in unfair or deceptive business practices or violating a law that regulates franchises or business, including a failure to provide proper disclosure to a franchisee, and there is no civil action involving such allegations pending against any such person: the franchisor, the franchisor's associate or a director, an officer or a general partner of the franchisor.

Bankruptcy

No bankruptcy or insolvency proceedings, voluntary or otherwise, took place during the 6-year period immediately preceding the date of this disclosure document, in which the debtor was
(a) the franchisor or the franchisor's associate,
(b) a corporation whose directors or officers include a current director, officer or general partner of the franchisor, or included such a person at a time when the bankruptcy or insolvency proceeding was taking place,
(c) a partnership whose general partners include a current director, officer or general partner of the franchisor, or included such a person at a time when the bankruptcy or insolvency proceeding was taking place, or
(d) a director, an officer or a general partner of the franchisor in his or her personal capacity.

Part 2 – Required Information about the Franchise

Costs of Establishing the Franchise

Estimated costs of establishing the franchise are disclosed in Item 7 of the FDD. Initial franchise fees and other required payments to the franchisor or its affiliates and related information are disclosed in Item 5 of the FDD.

Other Fees

The nature and amount of any recurring or isolated fees or payments are disclosed in Item 6 of the FDD.

Guarantees and Security Interests

If each of your owners do not sign the Franchise Agreement as direct parties, then each of your owners must sign the Personal Guaranty attached to the Franchise Agreement.

One of the terms that applies to your purchase of products from us or our affiliate(s) is that you grant to us a security interest in the products and proceeds as security for your obligations under the Franchise Agreement. You agree that we may prepare and file all instruments or documents necessary to perfect any security interest, including a UCC Financing Statement. Upon request, you will execute and file such instruments or documents as needed. You acknowledge that we may file a copy of the Franchise Agreement as a financing statement for that purpose. (See Franchise Agreement, Section 5.13(H)).

Estimate of Operating Costs

The FDD does not include an estimate of annual operating costs for the franchise, or of operating costs for the franchise for another regular period, except for estimated costs during the initial start-up phase of the business as described in Item 7 of the FDD and as disclosed in Item 19 of the FDD, if applicable.

If applicable, Items 7 and 19 disclose the assumptions and bases underlying the estimate. If applicable, information that substantiates the estimate is available for inspection at the franchisor's main offices.

Earnings Projection

The FDD does not provide an earnings projection for the franchise, except as provided in Item 19 of the FDD, if applicable. If applicable, information that substantiates the estimate is available for inspection at the franchisor's main offices.

Financing

We do not provide direct or indirect financing and do not assist in providing financing for you. We do not guarantee any notes or financial obligations. (See Item 10 of the FDD).

Training

See Item 11 of the FDD for a description of training offered to the franchisee by or on behalf of the franchisor.

Manuals

The franchisee will be required to operate in accordance with manuals provided by the franchisor. See Item 11 of the FDD (or an exhibit referenced therein) for the table of contents of each manual.

Advertising

See Item 11 for a description of the advertising fund to which you must contribute. We may spend up to 15% of the fund for the administration of the fund. We administer the fund through individuals listed in Item 2 of the FDD and our staff.

Purchase and Sale Restrictions

See Items 8, 12 and 16 of the FDD for a description of restrictions and requirements imposed by the Franchise Agreement with respect to:
(a) obligations to purchase or lease from the franchisor or the franchisor's affiliate or from suppliers approved by the franchisor or the franchisor's affiliate,
(b) the goods and services the franchisee may sell, and
(c) to whom or by what means the franchisee may sell goods or services.

Rebates, Commissions, Payments or Other Benefits

See Item 11 of the FDD for a description of the franchisor's policies and practices regarding rebates, commissions, payments or other benefits, including
(a) the receipt, if any, by the franchisor or the franchisor's affiliate of a rebate, commission, payment or other benefit as a result of purchases of goods and services by franchisees, and
(b) whether rebates, commissions, payments or other benefits are shared with franchisees either directly or indirectly.

Territory

See Item 12 of the FDD for a description of territorial rights and protections and related disclosures. Our President, disclosed in Item 2 of the FDD, is the person by whom the franchisee's rights to the territory will be determined.

Trademarks and Other Proprietary Rights

See Item 13 of the FDD for a description of the rights the franchisor has to the trademark, trade name, logo or advertising or other commercial symbol associated with the franchise.

Licences, Registrations, Authorizations and Other Permissions

See Item 1 of the FDD and the following disclosure for a list of licences, registrations, authorizations and other permissions the franchisee will or may be required to obtain under federal or provincial laws to operate the franchise. Depending on the income or structure of the business, the necessary permits, licenses, authorizations or other permissions may differ. In addition to those identified in Item 1 and below, you may be required under other federal or provincial laws or under the by-laws of a municipal or other local authority to obtain licences, registrations, authorizations or other permissions to operate the franchise, and you should make inquiries to determine whether such licences, registrations, authorizations or other permissions are required. It is your responsibility to acquire them.

Licences Required for Franchised Business from a Leased Location	
Development Permit	Apply to municipality in which franchised business is located, required to ensure zoning and development bylaws are complied with
Building Permit	Apply to municipality in which franchised business is located, required to ensure building code requirements are complied with
Sign Permit	Apply to municipality in which franchised business is located, required to ensure sign bylaws are complied with
Licences Required for Operation of Franchised Business	
Federal Business Identification Number for Source Deduction of Taxes, Canada Pension Plan (CPP) and Employment Insurance (EI)	Apply to Canada Revenue Agency; required for mandatory deductions for tax, CPP and EI payments for employees
Federal Goods and Services Tax (GST) Registration Number	Apply to Canada Revenue Agency; required for mandatory payment of goods and services tax for federal government
Provincial Employer Health Tax Registration Number	Apply to provincial Ministry of Finance; required for mandatory health coverage for employees (note that an exemption may be available)
Provincial Corporations Tax Number	Apply to the Ministry of Finance; required to file your provincial corporate tax return
Provincial Sales Tax Vendor's Permit	Apply to provincial Ministry of Finance (Retail Sales Tax Office); required in order to be exempt from paying provincial retail sales tax on purchases made for goods acquired for the franchised business
Provincial Workplace Safety and Insurance Coverage	Apply to provincial Worker's Safety and Insurance Office; required in order to obtain mandatory insurance coverage required for employees
Provincial Business Name Registration	Apply to the local office of the Ministry responsible for business name registrations
Municipal Business License	Apply to municipality in which franchised business is located; required to carry on business
Provincial Health and Safety – First Aid	Apply to the local office of the Ministry responsible for health and safety
Liquor	Contact the British Columbia Liquor Distribution Branch (LDB) and Liquor Control and Licensing Branch (LCLB) for more information

You should be aware of federal and provincial labour regulations, including minimum age and minimum wage laws as they relate to the management of your franchised business. The details of provincial and local laws and regulations vary from place to place. You must research these matters at your own expense, and assume all responsibility for compliance, as well as all risk of non-compliance.

Personal Participation

See Item 15 of the FDD.

Termination, Renewal and Transfer of the Franchise

See Items 9 and 17 of the FDD for lists of all the provisions in the franchise agreement that deal with the termination of the franchise agreement, the renewal of the franchise agreement and the transfer of the franchise.

Part 3 – Lists of Franchisees, Businesses and Closures

List of Current Franchisees

See Item 20 of the FDD (or an exhibit referenced therein) for a list of all franchisees of the franchisor or of the franchisor's affiliates that currently operate franchises in Canada of the same type as the franchise being offered, including the name, business address and telephone number of each franchisee. If there are fewer than 20 franchisees that are listed as described in previous sentence, the list also includes the name, business address and telephone number of the franchisees of the franchisor or of the franchisor's affiliates that currently operate franchises of the same type as the franchise being offered, that are in the foreign jurisdiction closest to British Columbia, until 20 or all the franchisees are listed, whichever is the lesser number.

List of Current Businesses

See Item 20 of the FDD (or an exhibit referenced therein) for a list of all businesses of the same type as the franchise being offered that the franchisor or the franchisor's affiliates currently operate in Canada, including the name and business address of each business.

List of Former Franchisees

See Item 20 of the FDD (or an exhibit referenced therein) for a list of all former franchisees of the franchisor or of the franchisor's affiliates that previously operated, in Canada and, if applicable, in any foreign jurisdiction from which the franchisor obtains the list of current franchisees referenced above, a franchise of the same type as the franchise being offered that has been terminated, cancelled, reacquired or not renewed by the franchisor or the franchisor's affiliate or has otherwise left the franchise system within the fiscal year immediately preceding the date of the disclosure document, including the name, last known address and telephone number of each former franchisee.

Franchise Closures

See Item 20 of the FDD for the total number of franchises in Canada of the franchisor or of the franchisor's affiliates of the same type as the franchise being offered within the previous 3 fiscal years that have
(a) been terminated or cancelled by the franchisor or the franchisor's affiliates,
(b) not been renewed by the franchisor or the franchisor's affiliates,
(c) been reacquired by the franchisor or the franchisor's affiliates, or
(d) not been renewed by the franchisee or otherwise left the franchise system.

RAKKAN USA Franchise, LLC

RECEIPTS

EXHIBIT P

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:

State	Effective Date
California	Pending
Conneticut	Exempt from Registration
Florida	Exempt from Registration
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Kentucky	Exempt from Registration
Michigan	Pending
Nebraska	Exempt from Registration
North Carolina	Pending
Maryland	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Carolina	Exempt from Registration
South Dakota	Pending
Texas	Exempt from Registration
Utah	Exempt from Registration
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If 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 a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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, D.C. 20580, and the state agency listed in EXHIBIT F.

The name, principal business address and telephone number of the franchise seller for this offering is Ryohei Ito, CEO, RAKKAN USA Franchise, LLC, 1025 W. 190th St., Suite 160, Gardena, California 90248, (424) 329-0513.

Date of Issuance: March 20, 2024.

RAKKAN USA Franchise, LLC authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated March 20, 2024 that included the following Exhibits:

A	Financial Statement
B	Franchise Agreement
	Exhibits to Franchise Agreement:
	Exhibit 1: Territory & Location of Outlet
	Exhibit 2: Names and Addresses of Principal Equity Owners
	Exhibit 3: Lease Rider
C	Area Development Agreement
D	List of Franchise Outlets
E	List of Terminated Franchises
F	State Franchise Administrators and Agents for Services of Process
G	Registration of Franchises in Other States
H	Conditional Assignment of Telephone and Directory Listing
I	Abandonment, Relinquish, & Termination of Assumed Fictitious Business Name
J	Electronic Funds Transfer Authorization
K	Credit Card Payment Authorization
L	Form of General Release
M	Personal Guarantee
N	SBA Franchise Agreement Addendum
O	State and Provincial Law Addendum
P	Receipts

DATED: _____
(Do not leave blank)

If a business entity:

_____
(Name of Business Entity)

_____
(Signature of Primary Contact Owner)

_____
(Print Name and Title)

If an individual:

_____
(Signature of Prospective Franchisee)

_____
(Print Name)

Please date and sign this page, and then return it either by mail to RAKKAN USA Franchise, LLC, 1025 W. 190th St., Suite 160, Gardena, California 90248, or by e-mail to franchise@rakkanramen.com.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If 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 a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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, D.C. 20580, and the state agency listed in EXHIBIT F.

The name, principal business address and telephone number of the franchise seller for this offering is Ryohei Ito, CEO, RAKKAN USA Franchise, LLC, 1025 W. 190th St., Suite 160, Gardena, California 90248, (424) 329-0513.

Date of Issuance: March 20, 2024.

RAKKAN USA Franchise, LLC authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated March 20, 2024 that included the following Exhibits:

A	Financial Statement
B	Franchise Agreement
	Exhibits to Franchise Agreement:
	Exhibit 1: Territory & Location of Outlet
	Exhibit 2: Names and Addresses of Principal Equity Owners
	Exhibit 3: Lease Rider
C	Area Development Agreement
D	List of Franchise Outlets
E	List of Terminated Franchises
F	State Franchise Administrators and Agents for Services of Process
G	Registration of Franchises in Other States
H	Conditional Assignment of Telephone and Directory Listing
I	Abandonment, Relinquish, & Termination of Assumed Fictitious Business Name
J	Electronic Funds Transfer Authorization
K	Credit Card Payment Authorization
L	Form of General Release
M	Personal Guarantee
N	SBA Franchise Agreement Addendum
O	State and Provincial Law Addendum
P	Receipts

DATED: _____
(Do not leave blank)

If a business entity:

_____
(Name of Business Entity)

_____
(Signature of Primary Contact Owner)

_____
(Print Name and Title)

If an individual:

_____
(Signature of Prospective Franchisee)

_____
(Print Name)

Please date and sign this page and keep if for your record.