

FRANCHISE DISCLOSURE DOCUMENT

Reins USA Franchise Company, Inc. dba Gyu-Kaku

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Reins USA Franchise Company, Inc. offers franchises for the operation of Japanese style “yakiniiku” restaurants at specified locations offering an assortment of meats, seafood, poultry, vegetables and deserts for customers to cook on state-of-the art charcoal roaster systems, as well as, proprietary dipping sauces, marinades, and a variety of alcoholic and non-alcoholic beverages.

The initial franchise fee is \$50,000. The estimated investment necessary to begin operation of a Gyu-Kaku franchise unit franchise range is \$1,184,424 to \$2,496,498. This includes \$51,980 to \$61,868 that is paid to the franchisor and its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Masaki Koyama at 20000 Mariner Avenue, Suite 500, Torrance, California 90503; telephone (310) 214-9572.

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.

Issued: **February 13, 2019.**

CA

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit F for information about the franchisor, or about franchising in your state.

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

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT; ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

STATE EFFECTIVE DATES

Some states require that the franchise be registered or filed with the state, or be exempt from registration: , before franchise offers or sales may be made.. The current registration or exemption status of the franchise these states are:

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

California	pending
Connecticut	<i>not registered</i>
Florida	September 21, 2018
Hawaii	pending
Illinois	pending
Indiana	<i>February 13, 2019</i>
Kentucky	<i>not registered</i>
Maryland	<i>pending</i>
Michigan	February 13, 2019
Minnesota	pending
Nebraska	<i>not registered</i>
New York	pending
North Dakota	<i>not registered</i>
Rhode Island	<i>not registered</i>
South Dakota	<i>not registered</i>
Texas	April 7, 2010 (permanent exemption)
Utah	<i>not registered</i>
Virginia	pending
Washington	pending
Wisconsin	<i>not registered</i>

REINS USA FRANCHISE COMPANY, INC.
DBA GYU-KAKU
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Exhibits

"A"	Franchise Agreement <i>Exhibits to Franchise Agreement:</i> Exhibit 1: Territory Exhibit 2: Names and Addresses of Principal Equity Owners Exhibit 3: Guaranty of Principal Equity Owners
"B"	Financial Statements
"C"	List of Franchise Outlets
"D"	List of Terminated Franchises
"E"	Area Development Agreement <i>Exhibit to Area Development Agreement:</i> Exhibit 1: Development Schedule
"F"	State Franchise Administrators and Agents for Service of Process
"G"	Statement of Franchisee
"H"	Appendix for California Franchisees
"I"	Receipts

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

To simplify the language in this disclosure document, the words “we” and “us” refer to Reins USA Franchise Company, Inc., the franchisor. “You” means the individual or entity buying the franchise.

The Franchisor, Parents and Affiliates

We are the franchisor for the “Gyu-Kaku” restaurant system in the United States. Our principal business address is 20000 Mariner Avenue, Suite 500, Torrance, California 90503.

Our parent company is Reins International (USA) Co., Ltd. (“RIU”), whose principal business address is 20000 Mariner Avenue, Suite 500, Torrance, California 90503.

Predecessors

We have no direct predecessor. However, since July 2001, RIU has been operating Gyu-Kaku restaurants, directly or through its wholly-owned subsidiaries. Gyu-Kaku restaurants that are equivalent to the type you will operate are now operating in the United States and Canada.

In December 2016, RIU became a subsidiary of Colowide Co., Ltd. (“Colowide”), a Japanese corporation. RIU was formerly a subsidiary of Reins International, Inc., a Japanese corporation organized (“Reins Japan”), which was a subsidiary of Rex Holdings, Co. Ltd. (“Rex Holdings Japan”), also a Japanese corporation. RIU and its subsidiaries, including us, were spun off by Reins Japan in December 2006, and are no longer subsidiaries of Rex Holdings Japan or Reins Japan. In March 2009, RIU entered into a Master License Agreement (the “Trademark License”) with Rex Holdings Japan under which RIU was granted the exclusive license and right to use itself or through subsidiaries the Gyu-Kaku trademarks owned by Rex Holdings Japan in the United States and Canada.

Name Used by the Franchisor

We do business under the names “Reins USA” and “Gyu-Kaku”. We do not do business under any other name.

Agent for Service of Process

Our agent for service of process is Mr. Akitsugu Yamaguchi, whose address is 20000 Mariner Avenue, Suite 500, Torrance, California 90503.

Business Organization Used by the Franchisor

We are a corporation organized in California on February 27, 2008.

The Franchisor's Business

We act as a franchisor of Gyu-Kaku franchises. We began offering franchises in 2008. We do not operate businesses of the type being franchised. We do not engage in other business activities.

The Business the Franchisee Will Conduct

The Gyu-Kaku franchise is an owner-developed and operated “yakiniiku” restaurant business that was originally developed by Rex Holdings Japan. “Gyu-Kaku” means “Horn of the Bull” in Japanese. “Yakiniiku” (“yaki” meaning “grilling” and “niku” meaning “meats”) is a Japanese style of barbecue cooking that has been around for centuries. As one of the largest restaurant operators in Japan, Rex Holdings Japan developed the Gyu-Kaku system of restaurant operating techniques and methods (the “Gyu-Kaku System”) in 1996 and expanded throughout Japan. The Gyu-Kaku System has since been modified for the U.S. market.

The Gyu-Kaku System offers customers the opportunity to cook various cuts of beef, pork, poultry, seafood, vegetables and desserts, using proprietary sauces and condiments (collectively, “Gyu-Kaku Products”) on specially designed in-table roasters (or grills) designed to vent smoke through forced air openings built into the roaster. The internal vents are designed to reduce the amount of smoke and odor that may be emitted in the restaurant or transferred to customers' clothes. The menu also includes a variety of alcoholic (including “sake”, or Japanese rice wine) and non-alcoholic drinks.

In addition to an extensive assortment of meats, seafood, poultry, vegetables, desserts and beverages, you will also offer your customers our proprietary dipping sauces, marinades and salad dressings.

Gyu-Kaku restaurants in the United States will be developed in three formats of approximately 2,000 square feet (up to 70 seats), 3,500 square feet (71 to 120 seats), and 5,000 square feet (121-150 seats). Although the Gyu-Kaku System is an adult concept, families with children are also frequent customers.

The Gyu-Kaku System has been designed for efficiency of operations and limits the amount of daily food preparation in the restaurant, as well as, the need for an extensive cooking staff. Because most of the menu items are delivered raw to the table, your kitchen staff's primary role is to assemble the order for the server to deliver to the table. The Gyu-Kaku System eliminates your need to employ an executive chef, sous chef, or pastry chef. The “chef” is the customer, who does all the cooking at the table.

The Gyu-Kaku system embraces a distinct culture which puts customers first and which is serious about the quality and consistency of the products and services the customers receive. We measure the satisfaction of Gyu-Kaku customers through surveys, mystery shoppers and similar programs. We take the results of such surveys seriously. As a Gyu-Kaku franchisee, you are expected to operate your Licensed Restaurant with an understanding of the Gyu-Kaku System and culture, including operating your Licensed Restaurant ethically and in a way that emphasizes the importance of your staff. Our goal is to continuously improve the Gyu-Kaku System.

We offer two separate franchise programs by this disclosure document, though we may not necessarily allow you the opportunity to purchase under both programs:

Single Franchise Program.

Under this program, you will sign a Franchise Agreement (Exhibit A) to operate a single Licensed Restaurant at a location which you choose and which we accept. Each of your

equity owners who own 10% or more of the franchisee entity must sign a Personal Guaranty in the form of Exhibit 3 to the Franchise Agreement. However, if the franchisee entity has a net worth of \$1,000,000 or more, as verified by its financial statement submitted to us, for so long as the franchisee entity maintains its net worth at that level or above, no written guaranty will be required of its 10% equity owners.

Area Development Program.

Under this program, we assign a defined area, the development area, within which you must develop and operate a specified number of Licensed Restaurants within a specified time. The development area may be one city, one or more counties, or some other defined area. You will sign an Area Development Agreement (Exhibit E) which will describe your development area and your development schedule obligations. You will sign a separate Franchise Agreement for each Licensed Restaurant that you develop and operate.

General Market for Franchised Products and Services

The general market you will operate the business in involves full service restaurants offering barbeque or Japanese food. The market for yakiniku restaurants in the United States is relatively new, although the market for Japanese food is maturing. The market for Gyu-Kaku Products is all individuals and businesses within a reasonable proximity to the Licensed Restaurant. This type of business is fully developed, does not involve sale primarily to a certain group and is not seasonal.

Industry Specific Laws or Regulations

You will need a business license and reseller's permit, and you must comply with federal, state and local laws applicable to the operation and licensing of a business, including obtaining all applicable health permits and inspections and approvals by municipal, county or state health departments that regulate food handling and food service operations. Your Licensed Restaurant must meet applicable municipal, county, state and federal building codes and handicap access codes, including compliance with the Americans with Disabilities Act of 1990, as amended, or similar state laws or legislation.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service. State and local agencies inspect restaurants and other retail food service providers 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.

A wide variety of other federal, state, and local laws, rules, and regulations have been enacted that may impact the operation of your Licensed Restaurant, and may include those which (i) establish general standards, permitting restrictions and requirements and other specifications and requirements for the construction, design, maintenance and operation of the business premises; (ii) set standards pertaining to employee health and safety; (iii) regulate matters affecting the health, safety and welfare of your customers, such as general

health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking, and preparation of food; restrictions on smoking; availability of and requirements for public accommodations and requirements for fire safety and general emergency preparedness; and (iv) establish procedures for the disposal of hazardous wastes. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your business and should consider both their effect and cost of compliance.

You must have a liquor license before you open your Licensed Restaurant. The difficulty and cost of obtaining a liquor license, and the procedures for securing the license, vary greatly depending on the location of your Licensed Restaurant. There is also wide variation in state and local laws and regulations that govern the sale of alcoholic beverages (beer and wine only). State “dram shop” laws give rise to potential liability for injuries directly or indirectly related to the sale and/or consumption of alcohol.

Competition

As a Gyu-Kaku franchisee, you will compete with various established independent local restaurants and regional or national chain outlets specializing in Japanese-style food, as well as, other restaurants and facilities selling all kinds of food, including franchised and company owned restaurants, independent restaurants and restaurant chains. Competition in the restaurant business in general is intense.

Prior Experience of Franchisor, Predecessors and Affiliates

We have been operating since February 2008 and we began offering Gyu-Kaku franchises in 2008. We have not previously offered franchises providing the type of business you will operate. Nor have we ever offered franchises in other lines of business.

As of the date of this disclosure document, RIU (or companies affiliated with RIU) operate 20 “Gyu-Kaku” restaurants in the United States, and Rex Holdings Japan and Reins Japan operate and franchise hundreds of Gyu-Kaku restaurants in Japan.

Neither RIU nor any of its subsidiaries currently offers franchises in any line of business, however, in 2007, RIU's subsidiary, Reins International California, Inc., acquired from Reins Japan all the outstanding ownership interests in VR Partners, Inc. (“VRP”), a California corporation that had previously licensed one of VRP's shareholders in March 2003 to operate a “Gyu-Kaku” restaurant in Torrance, California.

ITEM 2. BUSINESS EXPERIENCE

Ryo Tozu, Chief Executive Officer and Secretary

Mr. Tozu was named our Chief Executive Officer and Secretary in March 2017. He also serves as Director of Colowide, Yokohama, Japan (since June 2014), and as Director of Colowide MD Co., Ltd., Yokohama, Japan (since April 2015). From September 2013 to June 2014, Mr. Tozu served as Deputy General Manager of Colowide. From January 2013 to August 2013, he served as Senior Managing Director of Reins International, Inc. (“RII”), Yokohama, Japan, after previously serving as Director of RII from October 2012 to January 2013.

Akitsugu Yamaguchi, Director and Chief Operating Officer

Mr. Yamaguchi was named the sole member of our Board of Directors and our Chief Operating Officer in January 2017, after previously serving as our Vice President (Development, Franchise, and Marketing) from our inception in 2008 to December 2016. He also serves as Manager for RIU, overseeing restaurant chain development and marketing and assisting in operations (since January 2002).

Hiratsugu Aiba, Chief Financial Officer

Mr. Aiba was named a member of our Board of Directors and our Chief Financial Officer and Treasurer in June 2017. He also serves as Chief Financial Officer and Treasurer for RIU and subsidiaries as a whole group (since June 2017).

Masaki Koyama, Director (Franchise Operations)

Mr. Masaki Koyama was named our Director (Franchise Operations) in January 2017. She also serves as Franchise Regional Manager for RIU, overseeing restaurant chain training and assisting in operations (since January 2013).

Stanley Muh, Director (Brand Service)

Mr. Muh was named our Director (Brand Service) in January 2017. He also serves as Manager for RIU, overseeing restaurant chain training and development and assisting in operations (since January 2011).

ITEM 3. LITIGATION

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

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

Single Franchise: You pay us a \$50,000 initial franchise fee (the "Initial Franchise Fee") when you sign your Franchise Agreement. We will refund 50% of your Initial Franchise Fee, less expenses that we have incurred, if: (1) you do not complete the Initial Training Program; (2) you are unable to locate an acceptable location for your Licensed Restaurant within 6 months of signing a Franchise Agreement; (3) you are unable to obtain the appropriate building permits necessary to build and open the Licensed Restaurant; or (4) you are unable to obtain the licenses and/or permits necessary to sell alcoholic beverages (beer and wine only) at your Licensed Restaurant. Except under these limited circumstances, the Initial Franchise Fee is non-refundable. Except as described below for franchise agreements entered into pursuant to an Area Development Agreement, the Initial Franchise Fee is uniform to all franchises which we presently offer in this State.

Area Development Agreement: When you sign our current form of Area Development Agreement, you must pay us an initial franchise fee of \$50,000 for your first Licensed Restaurant, plus a development option fee equal to \$25,000 multiplied by the number of Licensed Restaurants which you must open (excluding the first Licensed Restaurant). When we accept the site for each additional Licensed Restaurant, you will sign a separate Franchise Agreement and pay us the initial franchise fee then being charged by us to new

Gyu-Kaku franchisees (but not to exceed \$50,000) less a credit of the development option fee of \$25,000 for the right to open the additional Licensed Restaurant. The development option fee is fully earned by us when paid and is not refundable under any circumstance.

There are no other initial fees or payments for services or goods received from us or our affiliates before your Licensed Restaurant opens.

ITEM 6. OTHER FEES

Name of Fee¹	Amount	Due Date	Remarks
Continuing Royalty ²	5% on the first \$1,500,000 of Gross Sales 4.5% on Gross Sales from \$1,500,000.01 to \$2,000,000	The 7th day of each month.	“Gross Sales” means the total of all revenues received or receivable as payment, whether in cash or for credit or barter or other means of exchange (and, if for credit or barter, whether or not payment is actually received), on account of any and all goods, merchandise, services, or products sold in or from the Licensed Restaurant, or which are promoted or sold under any of the Marks, during each month of the term of the Franchise Agreement, whether or not we offer such services or products in our other restaurants, including revenues from sales of any nature or kind whatsoever, derived by you or by another person or entity (including your affiliates) from the Licensed Restaurant; sales of Authorized Gyu-Kaku Products (as defined in the Franchise Agreement) in contravention of the Franchise Agreement at locations other than the Location; proceeds of any business interruption insurance, after the satisfaction of any applicable deductible; and sales from vending devices, including pay phones. “Gross Sales” does not include the following: (i) sums representing sales taxes collected directly from your customers in the operation of your Licensed Restaurant, and any sales, value added or other tax, excise or duty charged to customers which is levied or assessed against you by any Federal, state, municipal or local authority, based on sales of specific goods, products, merchandise or services sold or provided at or from the Licensed Restaurant, provided that such taxes are actually transmitted to the appropriate Governmental Authority; (ii) sums representing tips, gratuities or service charges paid directly by customers to your employees in lieu of direct tips or gratuities; and (iii) proceeds from isolated sales of equipment and trade fixtures not constituting any part of your products and services offered for resale as the Licensed Restaurant nor having any material affect upon the ongoing operation of your Licensed Restaurant under the Franchise Agreement.
Advertising Fee	1.5% of Gross Sales	Same as Continuing Royalty fee.	The Advertising Fee is equal to 1.5% of your Gross Sales during the preceding month.
Convention Registration Fee	\$500 per attendee	On demand.	The Convention Registration Fee may be adjusted periodically up to \$700 per attendee.

Name of Fee¹	Amount	Due Date	Remarks
Late Charge ³	Bank fees of \$50, plus interest at an annual percentage rate ("APR") of 10%, plus all other related charges and expenses we incur.	Accrues until paid.	Payable only if your payment is late.
Additional Training Courses	As established by us. Fees will be uniform for all franchisees. You must also pay our costs and expenses for lodging, travel and meals for our personnel.	On demand	Payable only if you request us to provide training, or we deem that you are not operating your Licensed Restaurant in compliance with our Gyu-Kaku Operations Manual ("Manual") and other policies.
Cooperative Advertising	As determined by each Co-op Advertising Region but not to exceed 1.5% of Gross Sales each month, unless a majority of the members of the Co-op Advertising Region votes to increase the rate.	As established by us.	You must contribute to the Co-Op if we establish a Co-op Advertising Region for the region where your franchise is located. Your contribution to the Co-op Advertising Region will be applied as a credit towards the 1% (or 0.5% if this Agreement is the second or subsequent one entered into between Franchisee and Franchisor) of Gross Sales per year which you must spend on local advertising under Section 8.1 of your Franchise Agreement.
Site Review Costs	You must reimburse us for our reasonable costs that we incur in reviewing each proposed location after the first proposed location.	On demand	If you haven't found a location for your Licensed Restaurant when you sign your Franchise Agreement, you must obtain our acceptance of the location by submitting information about the proposed location that we require. We will review such information for one proposed locations at no charge; however, for the second location we review, and each location thereafter, you must reimburse us for all costs, including payment to consultants and agents that we retain and including a reasonable allocation of overhead and administrative expenses.
Site Visits	Flat per diem charge of \$50 for each of our personnel	On demand	Payable when we assist you with the opening of your Licensed Restaurant, and only otherwise (i) if you request us to visit your Location or (ii) if our site visits to your Location indicates non-compliance with your Franchise Agreement or our Manual. We are not limited in the number or frequency of our inspections, but we will give you at 7 days' notice before we conduct an inspection.
Transfer Fee	\$10,000	Before transfer.	Payable only if you sell your franchise. However, if the transferee is: (i) a member of your immediate family; (ii) a current franchisee in good standing of 3 or more years; or (iii) an employee of a Restaurant of 5 or more years; the transfer fee will be reduced to \$2,000. There is no transfer fee if the transferee is a "Controlled Entity" as defined in the Franchise Agreement.

Name of Fee¹	Amount	Due Date	Remarks
Private Offering of Securities by Existing Franchisees	Greater of \$5,000 or our reasonable costs and expenses incurred to review the proposed offer, including legal and accounting fees.	Before the Private Offering	Payable only if you offer the securities, partnership or other ownership interests through a private offering. This fee is in addition to the \$10,000 transfer fee. You may not make a public offering of securities.
Audit	Cost of audit plus interest at an APR of 10% ²	On demand	Payable only if audit shows an understatement of 2% or more of Gross Sales.
Supplier Approvals	All reasonably anticipated costs to review, evaluate, and monitor the proposed Supplier's qualifications (including travel expenses).	In advance of our review of a proposed supplier (or upon our request for reimbursement.	Payable only if you ask us to approve a Supplier.
Franchise Advisory Council ("FAC") Fee	A reasonable amount as determined by us or as determined by the FAC leadership.	Upon demand.	Payable only if we establish the FAC and then only if we or the FAC leadership requires you to pay a fee.
Software Support Fee	As determined by us.	Upon demand.	Payable only if we determine, in our discretion, that it is advisable to provide you with support services regarding the Computer System, POS System and any other required computer hardware or software.
Intranet Maintenance Fee	As determined by us.	30 days after notice to you.	Upon our request, you must pay us a reasonable amount to be applied toward the cost of maintaining the Intranet. We will establish the amount to be contributed by January 31 of each calendar year of the term of your Franchise Agreement and the fee will be payable within 30 days.

Notes:

(1) All fees are imposed by and payable to us and except as indicated in Item 5 or otherwise in the table above, are not refundable. All fees are uniformly imposed. To be eligible to sign the Franchise 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 Licensed Restaurant.

(2) If your Licensed Restaurant is subject to laws or restrictions which prohibit us (or otherwise limit us in any way) from collecting royalties on the sale of alcoholic beverages (beer and wine only), the applicable Continuing Royalty Rate will be increased by 2% and such rate will apply to Gross Sales, excluding sales of alcoholic beverages (beer and wine only).

(3) If any payment is not paid when due, you must pay interest on the unpaid amount at an APR of 10%, and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts, including court costs, investigator fees, expert witness fees and attorneys' fees. Interest begins to accrue from the date of the underpayment.

ITEM 7. ESTIMATED INITIAL INVESTMENT

The following charts describe the estimated initial investment for a single Restaurant. Construction and development costs vary greatly based on the geographic region, shall building conditions, material and market rates. The initial investment costs provided below

should not be considered as a definitive budget for the investment required, since that will differ on a per case basis. As described in Item 5, if you sign an Area Development Agreement, you must pay us an initial development fee equal to \$25,000 multiplied by the number of Restaurants required to be opened, plus the initial franchise fee for your first Restaurant.

[2,000 Square Foot Single Restaurant]

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Initial Franchise Fee	\$50,000	\$50,000	Lump Sum	When Franchise Agreement Is Signed.	Us
Construction and leasehold improvements – net landlord contribution (1) (2)	\$840,000	\$960,000	As Arranged	Before Opening	Suppliers
Equipment, Furniture, Fixtures and Signage	\$135,052	\$164,256	As Arranged	Before Opening	Suppliers including us
Computers and Telecommunications (3)	\$23,038	\$28,850	As Arranged	Before Opening	Suppliers
Initial Opening Assistance by Franchisor (4)	\$1,980	\$7,668	As Incurred	First 10 Days After Opening	Us
Pre-Opening Labor	\$26,600	\$31,590	As Incurred	Before Opening	Employees
Travel and Living Expenses (5)	\$1,000	\$5,000	As Incurred	During Training	Hotels, Airlines, etc.
Professional Fees – Architects	\$36,000	\$45,000	As Arranged	Before Opening	Architect
Legal / Professional Fees	\$2,700	\$3,300	As Arranged	Before Opening	Attorney / Accountant
Opening Inventory	\$12,960	\$15,840	As Arranged	Before Opening	Suppliers
Opening Supplies	\$14,395	\$18,455	As Arranged	Before Opening	Suppliers
Insurance Deposits and Premiums (6)	\$2,700	\$3,300	As Arranged	Before Opening	Insurance Carrier(s)
Market Introduction	\$12,600	\$15,400	As Arranged	Month Before and Month After Opening	Media
Licenses, Permits and Deposits	\$5,400	\$6,600	As Incurred	Before Opening	Governmental Agencies, Landlord, etc.
Miscellaneous Expenditures	\$10,000	\$20,000	As Arranged	As Incurred	Suppliers, etc.
Working Capital (7)	\$10,000	\$15,000	As Arranged	As Incurred	Employees, Suppliers, utilities, etc.
TOTAL (8)	\$1,184,424	\$1,390,259			

[3,500 Square Foot Single Restaurant]

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Initial Franchise Fee	\$50,000	\$50,000	Lump Sum	When Franchise Agreement Is Signed.	Us
Construction and leasehold improvements – net landlord contribution (1) (2)	\$1,001,700	\$1,224,300	As Arranged	Before Opening	Suppliers
Equipment, Furniture, Fixtures and Signage	\$210,480	\$257,254	As Arranged	Before Opening	Suppliers including us
Computers and Telecommunications (3)	\$26,568	\$32,472	As Arranged	Before Opening	Suppliers
Initial Opening Assistance by Franchisor (4)	\$1,980	\$7,668	As Incurred	First 10 Days After Opening	Us
Pre-Opening Labor	\$51,680	\$52,046	As Incurred	Before Opening	Employees
Travel and Living Expenses (5)	\$1,000	\$5,000	As Incurred	During Training	Hotels, Airlines, etc
Professional Fees – Architects	\$45,000	\$56,250	As Arranged	Before Opening	Architect
Legal / Professional Fees	\$2,700	\$3,300	As Arranged	Before Opening	Attorney / Accountant
Opening Inventory	\$23,760	\$29,040	As Arranged	Before Opening	Suppliers
Opening Supplies	\$26,390	\$33,833	As Arranged	Before Opening	Suppliers
Insurance Deposits and Premiums (6)	\$4,500	\$5,500	As Arranged	Before Opening	Insurance Carrier(s)
Market Introduction	\$12,600	\$15,400	As Arranged	Month Before and Month After Opening	Media
Licenses, Permits and Deposits	\$9,450	\$11,550	As Incurred	Before Opening	Governmental Agencies, Landlord, etc.
Miscellaneous Expenditures	\$10,000	\$20,000	As Arranged	As Incurred	Suppliers, etc.
Working Capital (7)	\$10,000	\$15,000	As Arranged	As Incurred	Employees, Suppliers, utilities, etc.
TOTAL (8)	\$1,487,808	\$1,818,613			

[5,000 Square Foot Single Restaurant]

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Initial Franchise Fee	\$50,000	\$50,000	Lump Sum	When Franchise Agreement Is Signed.	Us

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Construction and leasehold improvements – net landlord contribution (1) (2)	\$1,431,000	\$1,749,000	As Arranged	Before Opening	Suppliers
Equipment, Furniture, Fixtures and Signage	\$281,168	\$343,651	As Arranged	Before Opening	Suppliers including us
Computers and Telecommunications (3)	\$30,679	\$37,497	As Arranged	Before Opening	Suppliers
Initial Opening Assistance by Franchisor (4)	\$2,520	\$11,868	As Incurred	First 10 Days After Opening	Us
Pre-Opening Labor	\$58,900	\$67,528	As Incurred	Before Opening	Employees
Travel and Living Expenses (5)	\$1,000	\$5,000	As Incurred	During Training	Hotels, Airlines, etc
Professional Fees – Architects	\$56,200	\$70,250	As Arranged	Before Opening	Architect
Legal / Professional Fees	\$2,700	\$3,300	As Arranged	Before Opening	Attorney / Accountant
Opening Inventory	\$28,080	\$34,320	As Arranged	Before Opening	Suppliers
Opening Supplies	\$34,307	\$43,983	As Arranged	Before Opening	Suppliers
Insurance Deposits and Premiums (6)	\$9,000	\$11,000	As Arranged	Before Opening	Insurance Carrier(s)
Market Introduction	\$14,400	\$17,600	As Arranged	Month Before and Month After Opening	Media
Licenses, Permits and Deposits	\$13,500	\$16,500	As Incurred	Before Opening	Government Agencies, Landlord, etc.
Miscellaneous Expenditures	\$10,000	\$20,000	As Arranged	As Incurred	Suppliers, etc.
Working Capital (7)	\$10,000	\$15,000	As Arranged	As Incurred	Employees, Suppliers, utilities, etc.
TOTAL (8)	\$2,033,454	\$2,496,498			

Note: All amounts are non-refundable unless otherwise noted.

(1) You will have to lease or purchase a location for your Licensed Restaurant. These estimates assume that the location of your Licensed Restaurant will be a leased, unimproved, unfurnished unit. If you purchase a location or construct a free standing or expansion building, your initial investment will be much greater, the exact amount depending on size and location. Typical locations include strip malls, store front, free-standing buildings and commercially zoned houses. This estimated range is based on our experience constructing locations in Los Angeles, California, Honolulu, Hawaii and New York City, New York, however, rent can vary widely and is dependent upon factors such as size, location, demand, general economic conditions of the town or city in which your Licensed Restaurant is located and condition of the premises.

(2) This includes the cost estimate of building out the location. You must perform or have performed any construction, remodeling, or additions necessary to cause the premises to conform to applicable Federal, State, County, City, local laws, ordinances, codes, rules and regulations, and to meet our requirements for the layout, design, construction, fixtures, equipment and installation and trade dress

appearance of a “Gyu-Kaku” restaurant. You must use our design guidelines and meet our other standards and specifications in building out your Licensed Restaurant, and we may require you to engage, at your sole cost, a designated or recommended construction consultant. Construction and remodeling costs vary widely, depending upon the location and facilities such as air conditioning, electrical, and plumbing, and the terms of your lease. We are creating the “Gyu-Kaku Restaurant Prototype” which coordinates and conforms all participants to comply with a standard purchasing policy from vendors with whom we set up national accounts. We will review quotes from vendors you may have worked with in the past, but final selection of each vendor will be made by our Development Team. Once your Licensed Restaurant is built, you must maintain its condition and appearance in an acceptable level of cosmetic appearance, and not more than once during the term of your Franchise Agreement (after the fifth anniversary of the effective date of your Franchise Agreement), you must, at our request and your expense, refurbish, remodel and improve your Licensed Restaurant to conform to our then current specifications.

(3) You must obtain and use an Aloha point-of-sale (“POS”) system and related computer hardware and software.

(4) We will provide you with opening assistance by our representatives during the first 10 days after the opening date of your Licensed Restaurant. These charges represent the aggregate costs of airfare, lodging, meals and car rental for 2 representatives if you are opening a 2,000 square foot or a 3,500 square foot Licensed Restaurant, or 3 representatives if you are opening a 5,000 square foot Licensed Restaurant.

(5) You must pay the expenses of persons attending the Initial Training Program including transportation, lodging, meals and wages. The amount will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimates provided above contemplate the training of one person for 90 days in Los Angeles, California.

(6) As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Licensed Restaurant, and it is imperative you carry adequate insurance to protect yourself. You must maintain insurance of the types and minimum amounts (naming us as an additional insured) that we specify in your Franchise Agreement or the Manual. 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 must be purchased from insurance companies of good reputation with a rating of “A VII” or better by A. M. Best Company. The costs of premiums will vary based on location of the Licensed Restaurant and any prior claim history. You may obtain additional insurance as you may desire.

(7) These amounts are the minimum recommended levels to cover your operating expenses for 3 months. However, we cannot guarantee that such an amount will be sufficient. Additional working capital may be required if sales are low or fixed costs are high. The disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the “initial phase” of your business, which is defined as 3 months or a longer period if “reasonable for the industry”. We are not aware of any established longer “reasonable period” for the Japanese-style restaurant business, so our disclosures cover a 3-month period.

(8) These estimates cover your initial cash investment up to the opening of your Licensed Restaurant. They do not include your cash needs to cover any borrowings. You should not plan to draw income from the operation during the start-up and development stage of your Licensed Restaurant, which may extend for longer than the 6-month “initial phase” described in Note 6. Although we cannot assure you this will happen, 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 to persons other than us listed in the table above are likely nonrefundable. We do not finance any part of the initial investment. We relied on the experience of our executive officers (aggregating more than 40 years) in determining these figures. Because the exact amount of reserves will vary from operation to operation and cannot be meaningfully estimated by us, we urge you to retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your specific operation.

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 an Aloha POS system. 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 as specified in the Manual or otherwise by us in writing for use in connection with the Licensed Restaurant (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 Licensed Restaurant 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 Licensed Restaurant (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 us, or on our behalf.

Your Licensed Restaurant must be constructed, equipped and improved in compliance with our current design criteria (including the Gyu-Kaku Restaurant Prototype program) in the design and build out of your Licensed Restaurant. We will coordinate and manage (i) all design development to be provided by designated consulting architects, and (ii) grease duct design, lighting design, interior design and audio and surveillance system design to be provided by a vendor we have pre-approved. You must use the Gyu-Kaku Design team throughout the Design Development phase, and before you request a building permit from your city (or other government agency), you must obtain our review and consent to your final plans. Our additional fee for managing the architects, contractors and vendors under this program will be a surcharge ranging from 3% to 5% on the invoices for services by these architects, contractors and vendors. Details of the Gyu-Kaku Restaurant Prototype program are contained in the Manual or will otherwise be provided to you in writing. You may employ a reputable architect and general contractor of your selection and at your sole cost and expense, to prepare architectural, engineering and construction drawings and site plans and to obtain all Permits, provided the architect and general contractor have been reviewed, qualified and approved by the Gyu-Kaku Development Department. We will facilitate the bidding (or Request For Proposal) process for your project by coordinating with the architect, compiling all required bidding documents, soliciting three approved experienced national general contractors and a selection of other approved vendors to provide estimates on your project. We will then work with you to select the best qualified and cost-effective contractors and vendors for your project. We will assist you by providing standard construction contracts, vendor agreements and related documents for review by your attorney or other professional

advisors. We will assist with managing the construction process with scheduling, requests for information (RFI) and change order review and response, weekly reporting and quality control. However, these services we provide you in the development process of your restaurant are not to be considered a guarantee of the services provided by others nor do we accept any liability for costs or any other obligations or liabilities relating to your project.

All plans and modifications to the Location must be submitted to us for our review and acceptance before you start construction, and you may not deviate from Gyu-Kaku designs developed by us, and any change or deviation from Gyu-Kaku construction documents must be approved by us before execution. If you elect to have construction documents completed by your own local architect at your own cost, these construction documents must be given to us for review and approval before they are submitted to any governing agency having jurisdiction over the project and the architect must release all computer-aided design (CAD) files to us. Unless we notify you in writing that the plans and modifications are accepted, they will be deemed rejected. We reserve the right, but not the obligation, to grant you written authorization to open your Licensed Restaurant for business, which may be subject to our satisfactory inspection of your Licensed Restaurant.

We may specify certain proprietary products, sauces, marinades, beverages, food products and other ingredients and raw materials, which are grown, produced or manufactured in accordance with our trade secrets, proprietary recipes, specifications and/or formulas, and certain packaging, POS System, computer hardware, software, modems and peripheral equipment or other products, supplies, services and equipment ("Proprietary Products").

You must comply with the procedures in the Manual concerning employee uniforms, employee nametags and grooming standards.

At your sole cost, you must participate in the Gyu-Kaku Mobile App Rewards Program, our current customer loyalty rewards program. Details of this program are in our Manual. You must also fully participate with any other contests and promotions we arrange or authorize in the future. Details regarding all contests and promotions will be set forth in the Manual.

Franchisor or its Affiliates Acting as Approved Suppliers

You may be required to purchase proprietary products, sauces, marinades, beverages, food products and other ingredients and raw materials, which are grown, produced or manufactured in accordance with our trade secrets, proprietary recipes, specifications and/or formulas only from RIU or our affiliates or a supplier we designate, and you may be obligated to make a prepayment of the purchase price. We are not obligated to reveal our trade secrets, recipes, specifications and/or formulas of proprietary ingredients or products to you or any third party. You must purchase, use and maintain in stock proprietary ingredients or products in quantities needed to meet reasonably anticipated consumer demand. Otherwise, neither we nor RIU nor any of our affiliates sells or leases any goods, services, supplies or equipment related to establishing or operating the franchised business.

Our officers own an interest in RIU. Otherwise there are no suppliers in which any of our officers owns an interest.

Approved Suppliers and Approval of Alternative Suppliers

You must serve all and only the products we authorize. You must purchase, and maintain in inventory, Authorized Gyu-Kaku Products as needed to meet reasonably anticipated consumer demand. You must purchase all products which bear any of our trademarks, solely and exclusively from us or from a producer, manufacturer, supplier or service provider we approve ("Supplier").

To maintain consistency in quality and for other considerations, you may be required to purchase other specified food and beverage items only from manufacturers or producers we designate or approve in writing. 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 authorized Gyu-Kaku Products and services to our franchisees through the Manual and other communications in writing or by

email. We also issue specifications and standards regarding authorized Gyu-Kaku Products to our 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.

To conduct market research and determine the salability of new products and services, we may periodically require you to participate in test programs. These test programs may include selling certain products and offering specific services. If you are requested to participate in a test program, you must provide timely reports and other relevant information regarding such test program.

To enhance sales numbers and reduce food and labor costs at Gyu-Kaku restaurants, we have implemented a Restaurant Manager Incentive Program which you must participate in. This program provides quarterly incentive payments to Restaurant Managers for achieving (i) 7 separate primary incentive goals (that can result in compensation of up to \$8,000 if all 7 primary goals are realized) and (ii) then, if the primary incentive goals are met, for placing 1st, 2nd or 3rd among Restaurant Managers in 4 additional secondary incentive categories (that can result in additional compensation from \$200 for a single 3rd place finish up to \$2,500 for achieving all 4 1st place goals). The details of this program are contained in the Manual.

Revenue from Franchisee Purchases

In our fiscal year that ended October 28, 2018, we collected \$3,673 in rebates from The Coca Cola Company regarding beverage purchases by our franchisees, and all these rebates were remitted directly to our Brand Development Fund. Otherwise, in our fiscal year that ended October 28, 2018, neither we nor any affiliate derived revenue, rebates or other material consideration based on required purchases or leases by Gyu-Kaku franchisees. We (or our affiliates) may collect other rebates and credits from suppliers based on purchases or sales by you and other Gyu-Kaku franchisees and, in our discretion, we may either remit such amounts to you or contribute these amounts to the Brand Development Fund, notwithstanding any designation by the supplier or otherwise. Any contribution of rebates or credits to the Brand Development Fund will not reduce your obligation to pay an Advertising Fee.

We have not yet received any revenues from the Gyu-Kaku Restaurant Prototype program, but we anticipate doing so in 2019.

Payments to us and purchases from designated vendors and approved suppliers (i) in establishing your Licensed Restaurant will range from 93% to 94% of your total initial investment and (ii) in operating your Licensed Restaurant will range from 35% to 50% of your total monthly expenses.

Cooperatives

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

Negotiated Prices

We do not negotiate purchase agreements with suppliers for the benefit of Gyu-Kaku franchisees, although we may do so in the future.

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 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.

Franchise Agreement

Obligation		Section in franchise agreement	Item in disclosure document
a.	Site selection and acquisition/lease	5.1 – 5.3	11
b.	Pre-opening purchases/leases	5.1, 5.3, 5.4	8
c.	Site development and other pre-opening requirements	5.4, 5.5	6, 7 and 11
d.	Initial and ongoing training	6.1 – 6.5	11
e.	Opening	5.4	11
f.	Fees	4.1 – 4.8	5 and 6
g.	Compliance with standards and policies/Operating Manual	7.1 – 7.8, 7.10, 7.11	11
h.	Trademarks and proprietary information	11.1 – 11.9	13 and 14
i.	Restrictions on products/services requirements	7.6 – 7.8, 9.1 – 9.3	16
j.	Warranty and customer service requirements	9.6	16
k.	Territorial development and sales quotas	Not Applicable	12
l.	Ongoing product/service purchases	9.1 – 9.6	8
m.	Maintenance, appearance and remodeling requirements	5.5	7 and 17
n.	Insurance	16.1 – 16.3	6 and 8
o.	Advertising	4.3, 5.6, 8.1 – 8.6	6 and 11
p.	Indemnification	13.2.4, 13.3.4, 17.2	6
q.	Owner's participation/management/staffing	7.2	11 and 15
r.	Records/reports	10.1, 10.4	6
s.	Inspections/audits	10.2, 10.3	6 and 11
t.	Transfer	13.1 – 13.4	17
u.	Renewal	3.2 – 3.5	17
v.	Post-termination obligations	15.1 – 15.4	17
w.	Non-competition covenants	12.1 – 12.7	17
x.	Dispute resolution	18.1 – 18.5	17
y.	Compliance with anti-terrorism and other federal laws	12.6.2	Not applicable

Area Development Agreement

Obligation		Section in area development agreement	Item in disclosure document
a.	Site selection and acquisition/lease	1.1, 2.1 - 2.3, 5.3, Exhibit 1	11
b.	Pre-opening purchases/leases	Not Applicable	8
c.	Site development and other pre-opening requirements	1.1, 2.1 - 2.3, 5.2, 5.3, Exhibit 1	6, 7 and 11
d.	Initial and ongoing training	Not Applicable	11
e.	Opening	Not Applicable	11
f.	Fees	5.1, 5.2	5 and 6
g.	Compliance with standards and policies/Operating Manual	Not Applicable	11
h.	Trademarks and proprietary information	Not Applicable	13 and 14
i.	Restrictions on products/services requirements	Not Applicable	16
j.	Warranty and customer service requirements	Not Applicable	16
k.	Territorial development and sales quotas	2.1, 2.2, 3.1, Exhibit 1	12
l.	Ongoing product/service purchases	Not Applicable	8
m.	Maintenance, appearance and remodeling requirements	Not Applicable	7 and 17
n.	Insurance	Not Applicable	6 and 8
o.	Advertising	Not Applicable	6 and 11
p.	Indemnification	11.1, 11.2	6
q.	Owner's participation/management/staffing	Not Applicable	11 and 15
r.	Records/reports	Not Applicable	6
s.	Inspections/audits	Not Applicable	6 and 11
t.	Transfer	6.1 – 6.3	17
u.	Renewal	4.2, 4.3	17
v.	Post-termination obligations	4.4, 7.3	17
w.	Non-competition covenants	7.1 - 7.4	17
x.	Dispute resolution	10.1, 10.2	17
y.	Compliance with anti-terrorism and other federal laws	8.1	Not applicable

ITEM 10. FINANCING

We do not offer direct or indirect financing, and do not guarantee your lease or any other obligation you may incur.

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 and Assistance

Before you open your business, we will:

(1) Designate your franchise territory (see section 2.3 and Exhibit 1 of the Franchise Agreement).

(2) Provide you with initial training and orientation in the Gyu-Kaku system and how to operate the Licensed Restaurant and on-site training at your Licensed Restaurant (see sections 6.1 and 6.2 of the Franchise Agreement and the Training Program described below in this Item 11). Your Operating Principal and Restaurant Manager must successfully complete initial training to our satisfaction before you can open your Licensed Restaurant.

(3) Provide you a copy of our basic specifications for the design and layout of your Licensed Restaurant. In building out the Licensed Restaurant, you must follow the design guidelines we provide you. You are responsible for the costs of preparing architectural, engineering and construction drawings and site plans, which you must submit to us for our review and approval before you begin construction of your Licensed Restaurant. You are responsible for the costs of construction and remodeling (Franchise Agreement, Section 5.4).

(4) Provide you with a suggested general plan for the layout; furnishing and equipping of your Licensed Restaurant, together with a suggested menu board, written schedule of all Gyu-Kaku Products and other foods, food items and beverages that must be sold at your Licensed Restaurant, and a list of approved and designated suppliers (see section 5.1 of the Franchise Agreement).

(5) Assist you in selecting a site for your Licensed Restaurant. If you haven't found a location for your Licensed Restaurant when you sign the Franchise Agreement, you must promptly locate one or more proposed sites which meet our standards and specifications. For each proposed site, you will submit to us certain information regarding the site that we request. Upon receiving the information regarding a proposed site, we will review the information and either accept or reject the proposed site. We will review one proposed site at no charge. However, for the second site that we review, and for each site thereafter, you must reimburse us for all costs and expenses that we incur in reviewing the site. We will try to approve or reject your proposed site within 30 days after your submission (or 15 days after you provide any supplemental information we request) (Franchise Agreement, Section 5.1.1). 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 Licensed Restaurant premises if you are in material default of either the lease for the Licensed Restaurant 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 Licensed Restaurant if the Franchise Agreement is terminated or expires without being renewed. You have 18 months after signing the Franchise Agreement to locate an acceptable site and begin operating your Licensed Restaurant and you must sign a lease for the Licensed Restaurant premises within six months after the date you sign the Franchise Agreement. We will review and either consent to or decline the proposed site for your Licensed Restaurant within 30 days after you provide us with its address. If you are unable to locate an acceptable site and begin operating your Licensed Restaurant within 18 months after signing the Franchise Agreement, we can cancel the Franchise Agreement (see section 5.1 of the Franchise Agreement). The factors that we consider in consenting to a site for the Licensed Restaurant include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. We do not typically own and lease to you the premises on which the Licensed Restaurant will be located. We do not generally own premises on which the Licensed Restaurant is located and then lease it to our franchisees. Our review and consent to the location of the Licensed Restaurant is no guarantee or assurance that you will be successful there.

(6) Provide you with a copy of the confidential Manual (see section 7.4 of the Franchise Agreement).

Length of Time to Open the Outlet

We estimate the typical length of time between signing a Franchise Agreement and opening a new Restaurant is between 40 and 50 weeks after you sign your Franchise Agreement. Factors affecting this length of time (and which may extend it beyond the range given) can include your ability to locate an acceptable site, obtain a lease, financing, building permits, zoning compliance and/or variances, local ordinances, weather conditions which might affect construction, shortages, delayed installation of equipment, fixtures and signs, and how soon you can begin to receive training. If we consent to the site for your Licensed Restaurant but you do not begin operating your Franchised Business within 18 months after you sign the Franchise Agreement, we can cancel the Franchise Agreement (see section 5.1.1 of the Franchise Agreement) and if we do so under those circumstances, we are not obligated to refund your initial franchise fee.

You may open a Licensed Restaurant under an Area Development Agreement only by signing a Franchise Agreement for that location. You will sign a Franchise Agreement after you have found a location for your Licensed Restaurant. As noted above, we estimate that the length of time between signing a Franchise Agreement and the opening of your Licensed Restaurant is between 40 and 50 weeks.

Our Obligations during the Operation of the Franchise

During the operation of the franchised business, we:

(1) Will provide you with full access to (and integrate information about your franchise and the Licensed Restaurant into) the Gyu-Kaku Intranet (see section 7.14 of the Franchise Agreement) and website (see section 8.6.2 of the Franchise Agreement).

(2) If you reasonably request, will give you additional assistance and advice to help you run your Licensed Restaurant. In our sole discretion, we may send a representative to your Licensed Restaurant to discuss your operations. If provided at your request, you must reimburse our expenses and pay our then current training charges (Franchise Agreement, Section 6.5). We will also be reasonably available by phone and e-mail for guidance in the operation and management of your Licensed Restaurant and your compliance with the guidelines and procedures in our Manual (see sections 6.3, 6.4 and 6.5 of the Franchise Agreement). We do not provide you with assistance in hiring, supervising or discharging employees, nor do we provide any advice on employment law or regulations, except to strongly recommend you engage the services of an attorney competent to advise you on employment law matters in your state.

(3) May visit you periodically at no cost to you to provide additional sales and administrative review and assistance, including assistance with establishing and using administrative, bookkeeping, accounting and inventory control procedures. If you request this assistance and we agree to provide it, you must reimburse us for the cost of our representative's transportation and lodging. The nature, frequency and duration of this assistance by our representatives will be in our sole discretion (see section 6.5 of the Franchise Agreement).

(4) Will notify you if the general state of repair, appearance or cleanliness of your Licensed Restaurant or its fixtures, equipment or signs do not meet our standards, and specify the action you must take to correct the deficiency (see section 10.2 of the Franchise Agreement).

(5) May conduct a system-wide mandatory annual convention not more than once a year at a location we designate. Attendance of at least one "Principal Equity Owner" (defined as a person who owns at least a 10% equity interest in the franchisee entity) at these meetings will be mandatory (and is highly recommended for all other principal equity owners). You must pay us a convention registration fee of \$500 for each of your attendees and the cost of their travel, hotel and meal expenses. (See section 4.4 of the Franchise Agreement.)

(6) May, at our option, establish an Intranet through which Gyu-Kaku franchisees can communicate with each other, and through which we may communicate with you and may disseminate the Manual, updates to the Manual and other confidential information to you. We will have sole discretion and control over all aspects of the Intranet, including content and functionality (Franchise Agreement, Section 7.14).

(7) May recommend retail prices for specific "Gyu-Kaku Products" (as defined in the Franchise Agreement), optional different menu pricing groups which you can choose from, and other products and services we authorize for sale at your Licensed Restaurant (to enhance uniformity in the delivery of goods and services to retail customers by our franchises and the strength of our trademarks 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 7.8.1 of the Franchise Agreement). Also, to the extent permitted by federal and state law applicable to your Licensed Restaurant, we may designate maximum and minimum retail prices to be charged for Gyu-Kaku Products.

Advertising Program for the Franchise System

You will pay us an "Advertising Fee" equal to 1.5% of your Gross Sales. We will use the Advertising Fee to promote and enhance the image, identity or patronage of "Gyu-Kaku" Restaurants owned by us and by franchisees. Advertising Fees will be deposited in our separate Brand Development Fund account, and we will either transfer all Advertising Fees to a separate company that we designate to operate and maintain the Brand Development Fund, or the Advertising Fees will be segregated administratively on our books. Each Restaurant operated by us or one of our Affiliates also contributes to the advertising program as if it were a franchised Restaurant. If we spend less than the total of all Advertising Fees contributed during any fiscal year, we may accumulate such sums for use in later years. If we advance money to the Brand Development Fund beyond what our Company- and Affiliate-owned restaurants are required to contribute, we will be entitled to reimbursement, plus reasonable interest (Franchise Agreement, Sections 4.3 and 8.3).

We must spend Advertising Fees for national, regional or local advertising, public relations or promotional campaigns or programs designed to promote and enhance the image, identity and patronage of Restaurants. These expenditures may include: (i) creative development, production and placement of print advertisements, commercials, musical jingles, decals, radio spots, audio advertising, point of purchase materials, direct mail pieces, literature, outdoor advertising, door hangers, electronic media advertisements, and other advertising

and promotional material; (ii) creative development, preparation, production and placement of video, audio and written materials and electronic media, (iii) to purchase artwork and other components for advertising; (iv) media placement and buying, including all associated expenses and fees; (v) administering regional and multi-regional marketing and advertising programs; (vi) market research, marketing studies and customer satisfaction surveys, including the use of secret shoppers; (vii) development and production of, and, to the extent applicable, acquisition of, premium items, giveaways, promotions, contests, public relations events, and charitable or nonprofit events; (viii) creative development of signage, posters, and individual décor items including wall graphics; (ix) recognition and awards events and programs; (x) system recognition events, including periodic national and regional conventions and meetings; (xi) website, extranet and/or Intranet development, implementation and maintenance; (xii) development, implementation and maintenance of a website that permits electronic commerce, reservation system and/or related strategies; (xiii) retention and payment of advertising and promotional agencies and other outside advisors, including retainer and management fees; (xiv) public relations and community involvement activities and programs; (xv) expenditures for activities conducted for the benefit of co-branding, or other arrangements where Gyu-Kaku Brand Products and/or services are offered in conjunction with other marks or through alternative channels of distribution; (xvi) development, amendment and revisions to the standards, policies and procedures set forth in the Manual; and (xvii) payment to us or our Affiliates, for internal expenses incurred in connection with the administration of the Brand Development Fund. This sum may also be spent to retain an advertising or public relations agency and to reimburse us or our Affiliate for our internal expenses incurred to manage, administer, direct and operate the Brand Development Fund. We determine, in our discretion, exercised in good faith, all matters relating to such advertising, public relations and promotional campaigns and we are not obligated to allocate or expend Advertising Fees for the benefit of any specific franchisee or group of franchisees on a *pro rata* or proportional basis. Your costs in participating in any promotional campaign may be applied as a credit towards the satisfaction of your Local Advertising Expenditure obligations required by Section 8.1 of the Franchise Agreement. Within 60 days following each fiscal year, we will prepare a statement of contributions for the Brand Development Fund and will provide such information to you if you request it (Franchise Agreement, Section 8.3). In our fiscal year that ended October 28, 2018, we collected \$964,000 in Advertising Fees from our franchisees and spent \$543,000 on authorized retail brand advertising as follows: 53% on the production of advertisements and other promotional materials, 7% for media placement, and 40% for administrative expenses for the franchisor.

There is presently no advertising council composed of Gyu-Kaku franchisees advising us on advertising policies.

No Advertising Fees will be used for advertising to solicit new franchisees, although we may include a reference that franchises are available in advertising directed to the public generally and may include information on our web site about our franchise program.

Unless we agree otherwise, you must spend not less than \$12,600 to conduct a market introduction advertising program. We will review (and approve or reject) your market introduction advertising plan that you must submit to us at least 60 days before you open your Licensed Restaurant (Franchise Agreement, Section 5.6).

In addition to the Advertising Fee and the market introduction advertising program, you must spend a reasonable amount that you and we both agree is appropriate on local advertising and promotion ("Local Advertising") of your Licensed Restaurant, conforming to our specifications in the Manual. At our request, you must submit to us, for our acceptance, a local advertising plan that details the Local Advertising you will conduct over a 12-month period (Franchise Agreement, Section 8.2).

We have the sole right to register the Internet domain: www.gyu-kaku.com, and to establish sites using the domain name. You acknowledge that the domain name is our sole property. You may not use, in any manner, any computer medium or electronic medium (for example, any Internet home page, website, bulletin board, metatag, newsgroup or other Internet related medium or activity) that uses our Marks without our express written consent, or as expressly permitted in our Manual. We may include on our Internet web site one or more interior pages that identify the Restaurants, including your Licensed Restaurant, by geographic region, address, telephone number(s) and menu items. We may allow you to select certain pre-approved design elements for your interior page (Franchise Agreement, Section 8.6).

Electronic Cash Registers and Computer Requirements

Before you commence operating your Licensed Restaurant, you must purchase the required computer and Aloha point-of-sale hardware, inventory management system software, remote control software, Internet connections and service, required dedicated telephone lines and other computer-related accessories, software, peripherals and equipment (the "Information Systems"). The approximate initial cost to you for the Information Systems is \$25,000 to \$30,000 (which includes vendor provided training). You must obtain high-speed communications access for your point-of-sale system, such as broadband, digital subscriber line ("DSL") or other high-speed capacity. You must also maintain a functioning e-mail address for your business.

The required Information Systems includes electronic cash registers, a point of sale server, receipt printers and a PC-compatible back office computer running the software we specify. You must purchase this system from suppliers we designate. The system will store information concerning your sales, inventory, accounting and other operations.

You must provide all assistance we require to bring your point of sale system on-line with our headquarters computer at the earliest possible time and to maintain this connection as we require. We may retrieve all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access information.

Neither we nor any affiliate has an obligation to provide ongoing maintenance, repairs, upgrades or updates to the system. You may obtain support and/or optional maintenance contracts from third parties at additional cost that we cannot estimate. There are no contractual limitations on our ability to require you to update, upgrade or replace the Information Systems, add components to the Information Systems, and upgrade, update or replace components of the Information Systems. We may require you to update, upgrade or replace the Information Systems, including hardware and/or software, upon written notice, and these costs might not be fully amortizable over the time remaining in the term of your License Agreement. We cannot estimate the cost of maintaining, updating or upgrading the Information Systems or its components because it will depend on your repair history, local

costs of computer maintenance services in your area and technological advances which we cannot predict at this time.

We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manual, updates to the Manual and other confidential information to you. We will have sole discretion and control over all aspects of the Intranet, including content and functionality (Franchise Agreement, Section 7.14).

Operations Manual

We will loan you a copy of the Manual, which contains mandatory and suggested specifications, standards and procedures. This manual is confidential and remains our property. We may modify this manual, but any modification will not alter in any significant way your status and rights under the Franchise Agreement (Franchise Agreement, Section 7.4).

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

Topic	Number of Pages
The Franchise System Manual	2
Acknowledgment of Receipt and Confidentiality Agreement	1
Use of this Manual	2
Manual Updates	1
1 - Introduction	14
2 - Managing Restaurant Operations	25
3 - Financial Management and Reporting	29
4 – Loss Prevention	14
5 – Front of House	36
6 – Purchasing, Receiving and Storage	24
7 – Personnel Management	52
8 - Marketing	41
9 – Leveraging the Advantages of the Franchise System	4
Total Pages	245

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.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Marketing / Advertising	2	2	Los Angeles, California
Grand Opening / Promotions	2	0	Los Angeles, California
Safety	2	2	Los Angeles, California
Management	8	80	Los Angeles, California
Personnel	2	6	Los Angeles, California
Legal Duties / Obligations	4	6	Los Angeles, California

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Financial Reporting	8	40	Los Angeles, California
Food Preparation	8	80	Los Angeles, California
Day-to-Day Operations	8	80	Los Angeles, California
Customer Relations	2	8	Los Angeles, California

Your Operating Principal and Restaurant Managers must successfully complete our Initial Training Program to our satisfaction. You may not begin operating your Licensed Restaurant using our Marks or System until you have completed our Initial Training Program. The Initial Training Program will consist of approximately 8 weeks of training for your Operating Principal and approximately 8 weeks of training for your Restaurant Manager(s). The Initial Training Program will take place at our training facility in Los Angeles, California, or at another place we designate. (Franchise Agreement, Section 6.1)

The instructional material consists of appropriate handouts and information directly from the Manual and from the Gyu-Kaku Training Manual. Currently, our principal instructors are Akitsugu Yamaguchi, who has been with us since 2008 (and who has 16 years of experience in the subject matters he teaches), and Stanley Muh, who has been with us since 2011 (and who has 12 years of experience in the subject matters he teaches). The principal instructors are sometimes assisted by our operations staff and other employees.

All personnel attending the Initial Training Program must have first successfully completed the ServSafe program (Franchise Agreement, Section 6.1.1). All your newly hired Operating Principals and Restaurant Managers must successfully complete the Initial Training Program, to our satisfaction (Franchise Agreement, Section 6.3.1).

We will not provide the Initial Training Program if you or your affiliate already owns or operates a Licensed Restaurant or if you are executing a renewal or successor Franchise Agreement.

Beginning shortly before and continuing shortly after you open your Licensed Restaurant for business, your Operating Principal and Restaurant Managers will also have to successfully complete up to 10 days of on-site training, which will be conducted at your Licensed Restaurant. You do not have to pay a fee for the on-site training, however, you must reimburse us for our reasonable out-of-pocket expenses incurred while providing such training (Franchise Agreement, Section 6.2).

You (and your Operating Principal and Restaurant Managers) may also periodically be required to attend additional training courses. We may hold such training on a regional or national basis, at locations that we choose, to instruct you and your personnel concerning new procedures and programs. You will pay our then current reasonable fees for any additional training courses you attend, and you bear all expenses for you and your personnel while attending (Franchise Agreement, Section 6.3).

You must use the Gyu-Kaku Training Manual to train and instruct your personnel in operations and procedures concerning the Licensed Restaurant (Franchise Agreement, Section 6.3.3).

If we establish an employee certification and re-certification program, you, and your employees that we designate, must complete such program to our satisfaction. If

established, the employee certification program will consist of one or more proficiency examinations designed to test and evaluate an employee's ability to perform his or her employment duties and responsibilities. We may prohibit you from allowing an employee from providing services at your Licensed Restaurant until he or she has completed the employee certification program to our satisfaction (Franchise Agreement, Section 6.4).

ITEM 12. TERRITORY

We grant you the right to operate a single Licensed Restaurant at specific location that we accept (the "Location") within a specific geographic area (the "Territory"). Our acceptance of a location will be based upon a variety of factors which may include the viability the location and demographics including, number of households, household income, vehicular traffic and the number of potentially competing full-service restaurants near the proposed location. Our acceptance of a proposed location is not a guarantee that your Licensed Restaurant will be successful at that location or anywhere else. Although we have agreed to provide you with certain protections in your Territory, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You are not restricted from soliciting or accepting orders from customers outside your Territory. You have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales outside your Territory, subject to our policies.

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

Your Territory will be described on Exhibit 1 to your Franchise Agreement. The exact geographic boundaries of your Territory Area will be determined by us, based on criteria such as population density and the territorial rights which have previously been given to existing licensees and franchises in the surrounding areas. The Territory may be defined by reference to streets, natural boundaries or zip codes or may be one or more cities, counties, states, or countries, or some other defined area. Where a street boundary is used, the center of the street is the boundary. Our approval of a geographic area as your Territory is not a guarantee that your Licensed Restaurant will be successful in that Territory.

Except as described below, during the term of your Franchise Agreement, neither we nor any of our Affiliates will operate or license or grant others the right to operate a Licensed Restaurant within your Territory. You do not have any exclusive rights or relations to or with any client, wherever located, and you may not offer, sell or provide catering or take-out services (provided however that retail customers may take with them away from the Licensed Restaurant uneaten portions of their meals). We expressly reserve all other rights. These include the unrestricted right to operate and license others to operate (i) Gyu-Kaku restaurants outside your Territory and (ii) restaurants operating under names other than "Gyu-Kaku" anywhere, so long as these restaurants do not directly compete with your License Restaurants.

We also expressly reserve the right to produce, license distribute and market Gyu-Kaku Brand Products, including pre-packaged dipping sauces, marinades, dressings and other food and beverage products, books, clothing, souvenirs and novelty items; through any outlet regardless of its proximity to your Licensed Restaurant. We may (i) own or operate, and franchise or license others to own or operate restaurants operating under names other than Gyu-Kaku at any location, and of any type or category whatsoever, regardless of whether or not it is located within your Development Area, and (ii) produce, license, distribute and market Gyu-Kaku brand named products, and products bearing other marks, including pre-packaged dipping sauces, marinades, dressing and other food and beverage products, books, clothing, souvenirs and novelty items, at or through any location or outlet, including grocery stores and convenience stores (including those which may be located within the Development Area), and through any distribution channel, at wholesale or retail, including by means of mail order catalogs, direct mail advertising, internet marketing and other distribution methods. We will publish all website content and we may provide you with a presence on our master web site. And if we do this, you must participate in this web site. We will maintain the "Uniform Resource Locator" (or "URL") 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 (including social media sites) to advertise your Licensed Restaurant under our principal trademarks without our express consent.

Under the Franchise Agreement, continuation of your location rights does not depend upon the volume of sales generated nor on your penetration of the market potential. Unless specifically authorized to do so by us, you may not conduct or carry out activities associated with us, our Affiliate or the Gyu-Kaku Marks from any location, whether located inside or outside of your Territory. You may apply for the right to open additional Gyu-Kaku restaurants pursuant to separate franchise agreements.

Under the Area Development Agreement, we grant you the right to develop and operate a specified number of Licensed Restaurants at locations in a specified Development Area, subject to our approval. The Development Area may be one or more cities, counties, states or some other defined area. During the term of the Area Development Agreement, we will not operate or grant a license or franchise to any other person to operate a "Traditional Restaurant" in your Development Area. A "Traditional Restaurant" is defined as a business premises that exists primarily as a Licensed Restaurant, however, a Traditional Restaurant may also have other types of co-branded businesses that we approve located in it, but in such case the Licensed Restaurant is the primary business. We may operate ourselves or grant a license or franchise to any other person to operate a Gyu-Kaku restaurant at any location outside the geographic area comprising the Development Area, including immediately adjacent to the Development Area. You must enter into a separate Franchise Agreement for each additional Licensed Restaurant you open under the Area Development Agreement, and these agreements will grant a separate franchise Territory within a defined area surrounding each Licensed Restaurant. Otherwise, we do not grant you options, rights of first refusal or similar rights to open additional Licensed Restaurants under the Franchise Agreement or the Area Development Agreement, and you may not open additional Gyu-Kaku businesses or engage in activities that are equivalent to the franchised business outside the Territory.

Until the termination or expiration of your Area Development Agreement, you retain your right of exclusivity so long as you comply with your development schedule and other obligations under the Area Development Agreement.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement that you have signed, or a material breach of any other agreement with us, we may terminate your right to develop, open and operate Restaurants in your Development Area, but the termination of your right to develop your Development Area will not terminate any rights granted under the Franchise Agreements then in effect between you and us, absent a breach of the Franchise Agreement itself. If you fail to meet the development obligations under the Area Development Agreement, in our sole discretion, we may grant you additional time to satisfy the development schedule.

After the expiration of the term of your Area Development Agreement, we may own, operate, or franchise or license others to operate additional restaurants anywhere, without restriction, including in your Development Area, subject to the rights granted to you in the Territory established under any then-existing Franchise Agreement, provided that, if we determine that further development of your Development Area is desirable after the term of your agreement, we will notify you in writing within 180 days before the expiration of your Area Development Agreement, and you will have a prior right to enter into a new Area Development Agreement and undertake additional development of your Development Area. If you believe that our proposed additional development schedule is not reasonable, we will agree to negotiate with you in good faith for 60 days to try to agree upon a mutually acceptable development schedule. If you do not exercise your right to enter into a new Area Development Agreement, we may own, operate, franchise or license other to operate additional Restaurants in your Development Area subject only to the territorial rights reserved to you in the individual Franchise Agreements. Upon 30 days written notice to us you may terminate your Area Development Agreement and if you do so, you will only be liable for the sums owed to us as of the date of termination. Upon termination of your Area Development Agreement, you will no longer have the right to open future Restaurants under the Development Schedule in your Area Development Agreement.

The continuation of your exclusive rights to the Territory does not depend on you attaining a minimum level of sales, revenues or market penetration, or other contingency. The continuation of your exclusive rights to develop Licensed Restaurants under the Area Development Agreement does depend on your meeting the development schedule described in the Area Development Agreement. However, neither the Territory granted in the Franchise Agreement nor the Development Area described in the Area Development Agreement may be altered except if you and we mutually agree. You will maintain rights to your Territory and the development area described in the Area Development Agreement even if the population in that geographic area increases.

ITEM 13. TRADEMARKS

You are licensed to operate and identify the Outlet under the principal trademark “Gyu-Kaku” and logotype displayed on the cover of this disclosure document, and other future trademarks. The principal trademark “Gyu-Kaku” (plus design) was registered with the United States Patent and Trademark Office (“USPTO”), on the Principal Register on January 8, 2005, registration number 2919418.

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 our parent RIU which granted us the right to use the principal trademark and related trademarks, service marks, trade names, logos and symbols (collectively the "Marks") related to Gyu-Kaku restaurants and to grant licenses to use the Marks to Gyu-Kaku restaurant franchisees.

You must follow our rules when you use the Marks. You cannot use the 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). 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 we wish to take any action against the third party.

You must modify or discontinue the use of a trademark if we modify or discontinue it. You must not directly or indirectly contest our 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

There are no patents that are material to the franchise. We will loan you one copy of our Manual for confidential use in your Licensed Restaurant. The Manual is our property and you may not duplicate, copy, disclose or disseminate the contents of the Manual at any time, without our express written consent. We may modify or supplement the Manual upon notice or delivery to you and you must comply with the Manual as so modified at your own cost and expense, unless we otherwise direct. You must keep the Manual current at all times, and upon the termination or non-renewal of your Franchise Agreement return to us the Manual and any other proprietary materials we provided to you.

Our intellectual property, whether the subject of a patent, copyright or not, also is protected by common law principles which limit the use of our confidential proprietary information, except as we have licensed it. We will enforce those rights as we determine.

Our Proprietary Rights in Other Confidential Information

You may not copy, divulge or use any confidential information, which may include our Policies and the contents of our Manual, marketing concepts, and operating methods and techniques (the "Confidential Materials and Practices") during or after the term of your Franchise Agreement, except in connection with the operation of your Licensed Restaurant pursuant to a valid Franchise Agreement. And if you do so, or you lose the Manual, we may charge you \$5,000. You must follow all reasonable procedures we prescribe to prevent unauthorized use and disclosure of our Confidential Materials and Practices. You must inform your employees to whom the information, or any of it, is made available of this obligation of confidence, and have them sign a written non-disclosure, and submit a copy to us for our files.

There are no infringing uses known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner.

The Franchise Agreement does not require us to take affirmative action if or when notified of infringement of our copyrights. If we require you to modify or discontinue using the subject matter covered by any patent or copyright, you must implement the changes at your cost and expense unless we otherwise direct.

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

You must designate an "Operating Principal" acceptable to us who will serve as your authorized representative, who will acknowledge and agree to act as your authorized representative and who has the authority to act on your behalf during the term of your Franchise Agreement. Your Operating Principal will be principally responsible for communicating with us about business, operational and other ongoing matters concerning your Licensed Restaurant. The Operating Principal must devote full time and best efforts solely to operation of all Licensed Restaurants owned or operated, directly or indirectly, by you and to no other business activities until a designated general manager reasonably acceptable to us assumes these duties on a full-time basis. Before you begin operation of your Licensed Restaurant, and at all times during the term of your Franchise Agreement, you must also designate a Restaurant Manager (or Managers) who has direct control over your Licensed Restaurant and who must be approved by us.

If you sign an Area Development Agreement, you must designate a Director of Operations acceptable to us who will be involved in the day-to-day operations of all of your Restaurants. You must designate such Director of Operations when you, directly or indirectly through and affiliate, open your second Restaurant within your Development Area. With our consent, the Director of Operations may be the same individual as your Operating Principal and/or Restaurant Manager.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell only those Authorized Gyu-Kaku Products that we have approved. Authorized Gyu-Kaku Products may differ among franchisees and may vary based on certain factors, including, the operating season and geographic location of your Licensed Restaurant. Upon receipt of written notice from us, you must sell additional Authorized Gyu-Kaku Products according to the instructions we provide, and you must begin to sell such products within 10 days of receiving notice from us or within the time specified in the notice. You must stop selling and providing any previously approved or discontinued Authorized Gyu-Kaku Products within 10 days after receiving notice from us that the product or service is no longer approved, or immediately in emergency situations. You may not stop offering any Authorized Gyu-Kaku Product without our express written approval. You may also be required, periodically, to sell certain test products and/or offer certain test services. If you are asked to do so, you must provide us with reports and other relevant information regarding the test products and services.

You may ask us to approve additional products to be offered at your Licensed Restaurant. You must make such request in writing. Upon receipt of your request, we will evaluate the suggested products and the supplier of such products pursuant to the policies and procedures detailed in the Manual to determine, in our sole discretion, whether you will be permitted to offer such products. You may only offer such products if we approve them and you must do so subject to any conditions and/or limitations that we impose.

You may not offer, sell or provide any Authorized Gyu-Kaku Products in connection with any trademark, service mark, logo type or commercial symbol of any other person or business entity without our express written consent.

All tableware, flatware, utensils, glasses, menus and other similar items used in connection with your Licensed Restaurant must be imprinted with our Marks, as we specify, and must be purchased from an approved Supplier.

Except for applicable laws restricting discrimination against customers based on public policy, there are no restrictions on the customers to whom you may sell Authorized Gyu-Kaku Products and related products at your Licensed Restaurant.

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

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in franchise agreement	Summary
a.	Term of the license	3.1	The initial term begins on the Effective Date of the Franchise Agreement and ends on the earlier of: (i) 11 years and 6 months following the Effective Date; and (ii) the date that is 10 years following the date your Licensed Restaurant opens to the public for business. The term may, in our discretion, be extended for 2 additional years if: (1) you must remodel your Licensed Restaurant, (2) the total cost of the remodeling is expect to exceed \$50,000, (3) the remodeling is to be

	Provision	Section in franchise agreement	Summary
a.	Term of the license [continued]		commenced within 2 years prior to the expiration of your Franchise Agreement; and (4) you notify us that you do not intend to renew your Franchise Agreement.
b.	Renewal or extension of the term	3.2	If you are complying with your Franchise Agreement, you may enter into a successor Franchise Agreement with a 10-year term upon written notice delivered to us not less than 120 days before the end of the existing term. However, we are not obligated to renew your Franchise if one or more of the conditions in section 3.2.4 of the Franchise Agreement apply to you. During the 4th and 5th years of the term of the Successor Franchise Agreement, you have a one-time option, exercisable upon 30 days written notice, to terminate the Successor Franchise Agreement without cause. You have no further right to enter into successor Franchise Agreements after the second successor Franchise Agreement, but you may apply for the right to operate a Restaurant pursuant to a new franchise agreement.
c.	Requirements for you to renew or extend	3.2 - 3.4	You must have complied with your obligations during the term of your Franchise Agreement, must undertake remodeling to comply with our then-current standards, must not have committed 3 or more material defaults of your Franchise Agreement during any 36 month period, must comply with our then-current training requirements, must sign a general release, and must sign a successor franchise agreement, which may differ from the current form of Franchise Agreement.
d.	Termination by you	14.7	You may terminate at any time if we materially default, and if we do not cure the default within 60 days (or within 180 days if the default is curable, but it is not reasonable for you to cure it within 60 days) after our receipt of written notice from you detailing the alleged default. Also, if you renew your franchise, any time during the 4th and 5th year of the term of the Successor Franchise Agreement, upon 30 days written notice, you have a one-time option to terminate the Successor Franchise Agreement without cause.
e.	Termination by us without cause	Not Applicable	Not Applicable
f.	Termination by us with cause	14.1-14.4	We can terminate only if you commit a material default under your Franchise Agreement
g.	Cause defined - defaults that can be cured	14.4	You have 60 days after notice to cure non-payment of fees and other defaults not listed in Section 14.3 of the Franchise Agreement.
h.	Cause defined - defaults that cannot be cured	14.2, 14.3	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 Gyu-Kaku 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 knowingly understate your Gross Sales; you fail, for a period of 10 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

	Provision	Section in franchise agreement	Summary
h.	Cause defined - defaults that cannot be cured [continued]		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; you are convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise; we make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety; or your financial condition is impaired to the point that it is reasonable to conclude that you will not be able to fully discharge your obligations under this Agreement and that impairment continues for at least 30 days.
i.	Your obligations on termination/non-renewal	15.1-15.4	You must stop using our Marks; pay all amounts due to us; return the Manual, slide show, video training tapes and other instructional or promotional material to us; makes cosmetic changes to your Licensed Restaurant so that it no longer resembles our proprietary design; at our election, sell such equipment and furnishings that we designate to us, assign to us or our designee (or, at our election, terminate) all voice and data telephone numbers used in connection with your Licensed Restaurant; authorize and instruct the telephone company and all listing agencies of the termination of your right to use any telephone number or listing associated with your Licensed Restaurant and authorize and instruct the telephone companies and listing agencies to transfer and assign the telephone numbers and directory listing to us, sign and deliver to us all documents that must be filed with any governmental agency indicating that you are no longer licensed to use our Marks. See also "r" below.
j.	Assignment of contract by Us	13.1	No restriction on our right to assign. (However, no assignment will be made except to an assignee that in our good faith and judgment is willing and financially able to assume our obligations as franchisor under the Franchise Agreement.)
k.	Transfer by you - definition	13.2	Includes transfer of the agreement or change in ownership of a franchisee which is an entity.
l.	Our approval of transfer by you	13.2 – 13.4	Transfers require our express written consent, which will not be unreasonably withheld.
m.	Conditions for our approval of transfer	13.2, 13.3	New franchisee: must qualify, assume the Franchise Agreement or sign a new Franchise Agreement, complete training and pay our training fee, refurbish the Restaurant. You must provide us with an estoppel agreement and a list of all persons having an interest in the Franchise Agreement or in the Franchisee, pay all amounts then-due to us, sign a general release, provide us with all documents relating to the transfer, disclose to us all material information that we request regarding the transferee, the purchase price, and the terms of the transfer, must not be in default of the Franchise Agreement, and pay a transfer fee of \$10,000 (which becomes nonrefundable when we consent to the assignment). (See also "r" below). If the Franchise Agreement was signed pursuant to an Area Development Agreement, except as described below, you must concurrently assign all other existing Franchise Agreements to the same assignee.

	Provision	Section in franchise agreement	Summary
m.	Conditions for our approval of transfer [continued]	13.2, 13.3	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. With our written consent, you may transfer a franchise agreement to an entity of which you directly own at least 51% interest for convenience of ownership. If the new franchisee is a business entity, all holders of a 10% or greater interest in the new franchisee must sign a guaranty. You must reimburse us for all costs and expenses that we incur in connection with such a transfer, including attorneys' fees. Before shares of a Franchisee which is a business entity may be offered by private offering, you must provide us with copies of all offering materials; indemnify us, our Affiliates, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each in connection with the offering; and pay us a non-refundable \$5,000 fee to reimburse us for our costs and expenses associated with reviewing the proposed offering.
n.	Our right of first refusal to acquire your business	13.2.3	We can match any offer for your business. However, we waive our right to match an offer if the proposed transferee/assignee is an immediate family member of yours or immediate family member of one of your Principal Equity Owners.
o.	Our option to purchase your business	15.1.2	Upon a lawful termination or nonrenewal of the Franchise Agreement, we will purchase from you, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of the Franchise Agreement or any ancillary or collateral agreement by you to us or our approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in your possession or used by you in the Franchised Business. There are exclusions to some of these items to be purchased and exceptions to our obligation to purchase. We may deduct and withdraw from the purchase price to be paid to you all sums then due and owing to us.
p.	Your death or disability	13.2.2	Same requirements as for transfer in "m" above.
q.	Non-competition covenants during the term of the franchise	12.1.1	You cannot engage in "Competitive Activities" defined as, owning, operating, lending to, advising, being employed by, or having any financial interest in (i) any Asian barbeque-style restaurant or retail outlet, (ii) any restaurant or retail outlet that offers customers the opportunity to cook or heat food items with an in-table heating element or on table grill or other heating element; (iii) any restaurant business that utilizes a system of down-draft exhaust ventilation, or (iv) any business that engages in the production or sale at retail or wholesale of any Japanese food product, Asian-style food product or other featured menu item which is now or in the future an Authorized Gyu-Kaku Product, other than a Restaurant operated pursuant to a valid franchise agreement with us. "Competitive Activities" does not include the direct or indirect ownership solely as an investment, of securities of any entity

	Provision	Section in franchise agreement	Summary
q.	Non-competition covenants during the term of the franchise [continued]		which are traded on any national securities exchange if the owner of the securities (i) is not a controlling person of, or a member of a group which controls, such entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such entity.
r.	Non-competition covenants after the franchise is terminated or expires	12.1.2	Except with our express written consent, no involvement in any Competitive Activities, as defined above, for 24 months at any site within your Territory, or within a radius of 10 miles from any then-existing Restaurant.
s.	Modification of the agreement	19.8	The Franchise Agreement may be modified only by written agreement between the parties.
t.	Integration/merger clause	19.8	Only the terms of the Franchise Agreement are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	18.1 – 18.5	Except for certain claims, the parties agree in the Franchise Agreement to submit disputes (not including your failure to pay us sums due or an act of yours allowing us to immediately terminate the Franchise Agreement) 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 five business days after a party requests this meeting to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If this meeting does not resolve the dispute (or the meeting does not occur), within 10 business days after the meeting takes place (or should have taken place), the parties may submit the dispute to a mutually acceptable 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 if no mediation occurs, 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 agreeable arbitration organization.
v.	Choice of forum	18.1, 18.2	You and we agree that Los Angeles County, California will be the venue for any mediation, arbitration or litigation arising under the Franchise Agreement.
w.	Choice of law	19.7	The Federal Arbitration Act governs arbitration of disputes under the Franchise Agreement. Otherwise, the laws of the state in which the Licensed Restaurant operated hereunder is located govern the Franchise Agreement.

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

	Provision	Section in area development agreement	Summary
a.	Term of the license	4.1	The term is until you sign a Franchise Agreement for your last Restaurant necessary to satisfy your obligations ("Development Obligations") under the Area Development Agreement.
b.	Renewal or extension of the term	4.2, 4.3	You do not have the right to renew your Area Development Agreement. However, if we determine that further development of your Development Area is desirable, if you are in good standing and you are not in default under your Area Development Agreement, we will offer you the opportunity to develop additional Restaurants. Unless we consent, you may not open more than the total number of Restaurants comprising your Development Obligations.
c.	Requirements for you to renew or extend	4.2, 4.3	You must sign a new Area Development Agreement on our then current form, which will contain any additional Development Obligations. You and your affiliates who have a currently existing franchise agreement or area development agreement with us must sign a general release.
d.	Termination by you	1.3	You may terminate the Area Development Agreement at any time upon 30 days written notice to us, and if you do so, you will only be liable for the sums owed to us as of the date of termination and you will no longer have the exclusive right to open future Restaurants in your development area.
e.	Termination by us without cause	Not Applicable	Not Applicable
f.	Termination by us with cause	9.1	We can terminate if you (i) fail to substantially comply with any obligation, duty or promise under the Area Development Agreement, after being given notice and reasonable opportunity to cure the default (no more than 30 days), or (ii) fail to open a Restaurant within the time specified in the Development Schedule of the Area Development Agreement, or (iii) are in material breach of any Franchise Agreement you entered into with us.
g.	Cause defined - defaults which can be cured	9.1	You have 60 days after notice to cure any default, provided that in the case of a breach or default in the performance of your obligations under any Franchise Agreement you entered into with us, the notice and cure provisions of that Franchise Agreement will control.
h.	Cause defined - defaults which cannot be cured	Not applicable	Not applicable
i.	Your obligations on termination/non-renewal	4.4, 7.3	You will have no further right to develop or operate additional Restaurants which are not, at the time of termination, the subject of a then existing Franchise Agreement between you and Gyu-Kaku. You may continue to own and operate all Restaurants pursuant to then-existing Franchise Agreements.
j.	Assignment of contract by Us	6.1	No restriction on our right to assign. (However, no assignment will be made except to an assignee that in our good faith and judgment is willing and financially able to assume our obligations as franchisor under the Area Development Agreement.)
k.	Transfer by you - definition	6.1 - 6.3	Includes transfer of the agreement or change in ownership of a franchisee which is an entity.
l.	Our approval of transfer by you	6.1 - 6.3	Transfers require our express written consent, which will not be unreasonably withheld.

	Provision	Section in area development agreement	Summary
m.	Conditions for our approval of transfer	6.1 - 6.3	Except as describe below, you may not transfer any Franchise Agreement signed pursuant to the Area Development Agreement except with our written consent. With our written consent, you may transfer your rights under the Area Development Agreement to (i) an entity entirely owned by in the same proportionate amount of ownership as prior to the transfer or (ii) to your spouse or person having equivalent rights under applicable federal or state law, parent, sibling, niece, nephew, descendant or spouse's descendant.
n.	Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o.	Our option to purchase your business	Not Applicable	Not Applicable
p.	Your death or disability	Not Applicable	Not Applicable
q.	Non-competition covenants during the term of the franchise	7.2	Unless we otherwise consent, you can not engage in "Competitive Activities" defined as, owning, operating, lending to, advising, being employed by, or having any financial interest in (i) any Asian barbeque-style restaurant or retail outlet, (ii) any restaurant or retail outlet that offers customers the opportunity to cook or heat food items with an in-table heating element or on table grill or other heating element; (iii) any restaurant business that utilizes a system of down-draft exhaust ventilation, or (iv) any business that engages in the production or sale at retail or wholesale of any Japanese food product, Asian-style food product or other featured menu item which is now or in the future an Authorized Gyu-Kaku Product, other than a Restaurant operated pursuant to a valid franchise agreement with us. "Competitive Activities" does not include the direct or indirect ownership solely as an investment, of securities of any entity which are traded on any national securities controlling person of, or a member of a group which controls, such entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such entity.
r.	Non-competition covenants after the franchise is terminated or expires	7.3	Except with our express written consent, no involvement in any Competitive Activities, as defined above, for 24 months within the Development Area.
s.	Modification of the agreement	14.4	The Area Development Agreement may be modified only by written agreement between the parties.
t.	Integration/merger clause	14.3	Only the terms of the Area Development Agreement are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Area Development Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	10.1	Except for certain claims, the parties agree in the Area Development Agreement to submit disputes 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 five business days after a party requests this meeting to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If this meeting does not resolve the dispute (or the meeting does not occur), within 10 business days after the meeting takes place (or should have taken place), the parties may submit the dispute to a mutually acceptable mediator who is a

	Provision	Section in area development agreement	Summary
u.	Dispute resolution by arbitration or mediation [continued]		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 if no mediation occurs, 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 agreeable arbitration organization.
v.	Choice of forum	10.1	You and we agree that Los Angeles County, California will be the venue for any mediation, arbitration or litigation arising under the Area Development Agreement.
w.	Choice of law	12.1	The Federal Arbitration Act governs arbitration of disputes under the Area Development Agreement. Otherwise, the laws of the state in which the Licensed Restaurant operated hereunder is located govern the Area Development Agreement.

ITEM 18. PUBLIC FIGURES

We do not currently pay or provide any other benefit to a public figure for the right to use his or her name to promote the sale of Gyu-Kaku 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 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.

The following chart contain historic financial performance representations for the period from January 1, 2018 through December 31, 2018, including actual revenues of the 19 Gyu-Kaku franchised restaurants in the United States that have been open and operating for at least 12 months.

Total Revenues for 2018 for Mature Franchised Restaurants

Outlet 1	\$3,896,195
Outlet 2	\$3,683,886
Outlet 3	\$3,683,493
Outlet 4	\$3,327,543
Outlet 5	\$3,228,715
Outlet 6	\$2,884,357
Outlet 7	\$2,693,044
Outlet 8	\$2,674,185

Outlet 9	\$2,490,670
Outlet 10	\$2,370,117
Outlet 11	\$2,144,940
Outlet 12	\$2,124,853
Outlet 13	\$2,122,434
Outlet 14	\$2,109,270
Outlet 15	\$2,071,151
Outlet 16	\$1,883,534
Outlet 17	\$1,818,457
Outlet 18	\$1,685,105
Outlet 19	\$1,213,667

The average revenue for Gyu-Kaku franchised restaurants in 2018 was \$2,531,874. The number of Gyu-Kaku franchised restaurants that met or exceeded this average gross revenue figure in 2018 was 8 (representing 42% of the applicable Gyu-Kaku franchised restaurants). In the table above, Outlet 10 was the median Franchised Restaurant Outlet, with 2018 revenues of \$2,370,116.

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

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

As a new franchisee, your financial results will likely differ from the results described above and those differences may be material. Your results may also vary significantly from those shown above depending on a number of other factors, including the location of your Gyu-Kaku restaurant; the nature and extent of your competition; whether your geographic area has a greater or lesser demand for Gyu-Kaku restaurant products and services; the skill, experience and business acumen of your management and staff; local economic conditions; prevailing wage rates in your geographic area; and how long you have operated your Gyu-Kaku restaurant. The financial information in the above tables shows only historical performance information for franchised Gyu-Kaku restaurants. The financial performance representation figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit.

You should conduct an independent investigation of the costs and expenses you will incur in operating your Gyu-Kaku restaurant. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information. You should not rely on such information to project your future performance, which will likely differ from the results above. But if you rely on our figures in the above tables, you must also accept the risk that your Gyu-Kaku restaurant may not do as well. We will make written substantiation of the data used in preparing the information above available to you upon reasonable request.

Other than the preceding financial performance representation, 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 our Chief Operating Officer, Mr. Akitsugu Yamaguchi, Reins USA Franchise Company, Inc., 20000 Mariner Avenue, Suite 500, Torrance, California 90503, (310) 214-9572, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

**[Table No. 1]
System-wide Outlet Summary For Years 2016 to 2018**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	13	16	+3
	2017	16	18	+2
	2018	18	23	+5
Company-Owned	2016	19	19	0
	2017	19	20	+1
	2018	20	25	+5
Total Outlets	2016	32	35	+3
	2017	35	38	+3
	2018	38	48	+10

Note: Our fiscal year ends on the last Sunday of each October (in 2018 this was October 28), and the years stated in the table in this Item 20 are from the Monday following the last Sunday of each October to the last Sunday of October of the next year.

**[Table No. 2]
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2016 to 2018**

State	Year	Number of Transfers
California	2016	0
	2017	0
	2018	1
Total	2016	0
	2017	0
	2018	1

**[Table No. 3]
Status of Franchised Outlets For Years 2016 to 2018**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2016	8	0	0	0	0	0	8
	2017	8	0	0	0	0	0	8
	2018	8	0	0	0	0	0	8
Florida	2016	1	2	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Hawaii	2016	2	1	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	1	0	0	0	0	4
Louisiana	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Nevada	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
New York	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Pennsylvania	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Texas	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
Virginia	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Texas	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Totals	2016	13	3	0	0	0	0	16
	2017	16	2	0	0	0	0	18
	2018	18	5	0	0	0	0	23

On October 28, 2018, we had 5 franchised Outlets open and operating in Canada.

**[Table No. 4]
Status of Company-Owned Outlets For Years 2016 to 2018**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2016	8	0	0	0	0	8
	2017	8	0	0	0	0	8
	2018	8	0	0	0	0	8
Colorado	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
Georgia	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Hawaii	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
Illinois	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	1	0	0	0	3
Massachusetts	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
New York	2016	4	0	0	0	0	4
	2017	4	0	0	0	0	4
	2018	4	0	0	0	0	4
Texas	2016	1	0	0	0	0	1
	2017	1	1	0	0	0	2
	2018	2	2	0	0	0	4
Totals	2016	19	0	0	0	0	19
	2017	19	1	0	0	0	20
	2018	20	5	0	0	0	25

**[Table No. 5]
Projected Openings as of October 28, 2018**

State	Franchise Agreements Signed But Outlet Not Opened [as of 10/28/18]	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	2	2	0
Colorado	0	0	1
Florida	4	4	0
Georgia	0	0	1
Hawaii	0	1	0
Illinois	0	0	1
Kansas	0	1	0
Louisiana	0	1	0
Massachusetts	0	0	1
Minnesota	0	1	0
New York	0	0	2
Texas	1	1	2
Virginia	0	1	0
Washington	0	1	0
TOTALS	7	13	8

On October 28, 2018, we had signed 3 franchise agreements in Canada whose franchisees had not yet opened their Outlets, and we anticipate signing a third franchise agreement in Canada during our next fiscal year.

Exhibit C lists, as of February 13, 2019, the names, addresses and telephone numbers of (i) all franchise outlets that are open and operating and (ii) all Gyu-Kaku restaurants owned and operated by RIU.

Exhibit D lists, as of February 13, 2019, the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business during our most recently completed fiscal year, or that has not communicated with

us within 10 weeks of the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, we have not signed any confidentiality clauses with current or former franchisees.

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

ITEM 21: FINANCIAL STATEMENTS

Attached as Exhibit B are our audited financial statements for the fiscal years ended October 28, 2018, October 29, 2017, and October 30, 2016.

ITEM 22: CONTRACTS

Exhibit A: Franchise Agreement
Exhibit E: Area Development Agreement

ITEM 23: RECEIPTS

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

REINS USA FRANCHISE COMPANY, INC.

DBA GYU-KAKU

FRANCHISE AGREEMENT

EXHIBIT A

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**REINS USA FRANCHISE COMPANY, INC.
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT ("Agreement") is made this _____ day of _____, 20____ (the "Effective Date") by and between Reins USA Franchise Company, Inc., a California corporation ("Franchisor"), and _____, a _____ ("Franchisee"), with reference to the following facts:

A. Rex Holdings Co., Ltd., an "Affiliate" (as defined below) of Franchisor, has granted Franchisor the right to sublicense the "Gyu-Kaku" name and service mark, and such other trademarks, service marks, logo types and commercial symbols as Franchisor may from time to time authorize or direct Franchisee to use in connection with the operation of the Licensed Restaurant (the "Marks").

B. Franchisor and its Affiliates have developed and continue to develop, and Franchisor has the right to sublicense, a System for the operation of Asian-style "yakinuku" Restaurants.

C. Franchisee desires to obtain the license and franchise to operate a single Restaurant, under the Marks and in strict accordance with the System, and the standards and specifications established by Franchisor; and Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained and for other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each of the parties hereto) the parties agree as follows:

**ARTICLE 1
DEFINITIONS**

1.1 Certain Key Definitions and Applicable Information. In this Agreement the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

"**Initial Fee**" means \$50,000.

"**Franchisor**" means Reins USA Franchise Company, Inc. and in any section of this Agreement which contains a release or other exculpatory language in favor of Franchisor, the term "Franchisor" shall also mean its affiliates, franchisees and their respective directors, officers, servants, employees and agents of Franchisor, and Franchisor, solely for the purpose of any such section, is the agent or trustee of, and for the benefit of, each of them.

"**Location**" means _____.

"**Operating Principal**" means _____, or such other individual hereafter designated by Franchisee, and accepted by Franchisor (and until subsequently disapproved by Franchisor), to serve as the authorized representative of Franchisee, who Franchisee acknowledges and agrees shall act as Franchisee's representative, and shall have the authority to act on behalf of Franchisee during the Term.

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

"**Accounting Period**" means one of three consecutive multi-week (each week to be Monday through Sunday) periods of (i) four weeks, (ii) four weeks and (iii) five weeks in each 13 consecutive weeks during the Term hereof.

"**Additional Training**" shall have the meaning set forth in Section 6.3.3 of this Agreement.

"**Advertising Fee**" shall have the meaning set forth in Section 4.3 of this Agreement.

"Affiliate" when used herein in connection with Franchisor or Franchisee, includes each person or Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Franchisor or Franchisee, as applicable. Without limiting the foregoing, the term "Affiliate" when used herein in connection with Franchisee includes any Entity 10% or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold 10% or more of the Equity or voting control of Franchisee. For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise. Notwithstanding the foregoing definition, if Franchisor or its Affiliate has any ownership interest in Franchisee, the term "Affiliate" shall not include or refer to the Franchisor or that Affiliate, and no obligation or restriction upon an "Affiliate" of Franchisee, shall bind Franchisor, or said Affiliate or their respective direct and indirect parents or subsidiaries, or their respective officers, directors, or managers.

"Agreement" means this Franchise Agreement.

"Anti-Terror Legislation" means the *International Money Laundering Abatement and Anti-Terrorist Financing Act* (aka the "Patriot Act") and any amendments or successors thereto, and other similar or successor legislation.

"Applicable Law" means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, governing the development, construction and operation of the Licensed Restaurant, including all labor, immigration, food and drug laws and regulations, as in effect on the Effective Date hereof, and as may be amended, supplemented or enacted from time to time.

"Area Development Agreement" means an agreement between Franchisee and Franchisor under which Franchisee or its Affiliate has agreed to open multiple Restaurants and pursuant to which Franchisee has executed this Agreement.

"Assignment" shall have the meaning set forth in Section 13.2.1 of this Agreement.

"Authorized Gyu-Kaku Products" means the specific Asian-style foods products, sauces, marinades, beverages and other food items and ancillary related products, which may include books, hats, t-shirts and novelty items, as specified by Franchisor from time to time in the Manuals, or as otherwise directed by Franchisor in writing, for sale at a Restaurant, prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, standards and specifications, including specifications as to ingredients, brand names, preparation and presentation.

"Brand Development Fund" shall have the meaning set forth in Section 4.3 of this Agreement.

"Certified" as such term relates to Franchisee's employees and others, means (i) that the applicable person(s) has or have obtained the status of certified under the Employee Certification Program, if Franchisor offers the Employee Certification Program for the applicable category of employee; or (ii) that the applicable person(s) has or have been accepted by Franchisor to perform the task(s) that has or have been assigned to the person(s), if Franchisor does not offer the Employee Certification Program.

"Competitive Activities" means to, own, operate, lend to, advise, be employed by, or have any financial interest in (i) any Asian barbeque-style restaurant or retail outlet, (ii) any restaurant or retail outlet that offers customers the opportunity to cook or heat food items with an in-table or on table grill or other heating element; (iii) any restaurant business that utilizes the Ventilation System or another system of in-table or on-table down-draft exhaust ventilation, or (iv) any business that engages in the production or sale at retail or wholesale of any Japanese food product, Asian-style food product or other featured menu item which is now or in the future an Authorized Gyu-Kaku Product, other than a Restaurant operated pursuant to a validly subsisting franchise agreement with Franchisor. Notwithstanding the foregoing, "Competitive Activities" shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if the owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such Entity.

"Computer System" shall have the meaning set forth in Section 7.3.2 of this Agreement.

“Continuing Royalty” shall have the meaning set forth in Section 4.2 of this Agreement.

“Convention Registration Fee” shall have the meaning set forth in Section 4.4 of this Agreement.

“Co-op Advertising Regions” shall have the meaning set forth in Section 8.2 of this Agreement.

“Crisis Management Event” means any event that occurs at or about the Licensed Restaurant that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Marks, or image or reputation of Restaurants or Franchisor or its Affiliates.

“Default” or **“breach”** means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

“Dispute” shall have the meaning set forth in Section 18.1 of this Agreement.

“Effective Date” means the date indicated in the first paragraph of this Agreement.

“EFT” shall have the meaning set forth in Section 4.8.1 of this Agreement.

“Employee Certification Program” shall have the meaning set forth in Section 6.4 of this Agreement.

“Entity” means any limited liability company, partnership, trust, association, corporation or other entity that is not an individual.

“Equity” means capital stock, membership interests, Partnership Rights, or other equity ownership interests of an Entity.

“FAC” shall have the meaning set forth in Section 7.15 of this Agreement.

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

“Goods and Services” shall have the meaning set forth in Section 9.4.1 of this Agreement.

“Governmental Authority” means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

“Gross Sales” means the total of all revenues received by Franchisee as payment, whether in cash or for credit or barter, or other means of exchange (and, if for credit or barter, whether or not payment is received therefor), on account of any and all goods, merchandise, services or products sold in or from the Licensed Restaurant, or which are promoted or sold under any of the Marks, during each month of the Term, whether or not Franchisor offers such services or products in its other locations, including: (i) revenues from sales of any nature or kind whatsoever, derived by Franchisee or by any other person or Entity (including Franchisee’s Affiliates) from the Licensed Restaurant; (ii) sales of Authorized Gyu-Kaku Products in contravention of this Agreement; (iii) the proceeds of any business interruption insurance, after the satisfaction of any applicable deductible; and (iv) sales from vending devices including pay telephones. Notwithstanding the foregoing, “Gross Sales” shall exclude the following: (x) sums representing sales taxes collected directly from customers by Franchisee in the operation of the Licensed Restaurant, and any sales, value added or other tax, excise or duty

charged to customers which is levied or assessed against Franchisee by any Federal, state, municipal or local authority, based on sales of specific goods, products, merchandise or services sold or provided at or from the Licensed Restaurant, provided that such taxes are actually transmitted to the appropriate Governmental Authority; and (y) sums representing tips, gratuities or service charges paid directly by customers to employees of Franchisee or paid to Franchisee and promptly and to the extent turned over to such employees by Franchisee in lieu of direct tips or gratuities; and (z) proceeds from isolated sales of equipment and trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Licensed Restaurant nor having any material effect upon the ongoing operation of the Licensed Restaurant required under this Agreement.

"GYU-KAKU Brand Product" means any product now existing or developed in the future that bears any of the Marks.

"Heirs" shall have the meaning set forth in Section 14.3.2 of this Agreement.

"Information" shall have the meaning set forth in Section 10.1 of this Agreement.

"Initial Fee" shall have the meaning set forth in Sections 1.1 and 4.1 of this Agreement.

"Internet" means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio, or other methods of transmission.

"Lease" shall mean any agreement, however denominated, that allows Franchisee to occupy a Location owned by a third party, including any lease, sublease, concession agreement, license, and similar arrangement between Franchisee and a third party.

"Licensed Restaurant" means, as context requires, the Restaurant to be developed, or already developed, at the Location by Franchisee pursuant to this Agreement. The Licensed Restaurant may not open for business until at least 10 days after the Franchisee obtains all necessary and required permits and government clearances.

"Local Advertising Expenditure" shall have the meaning set forth in Section 8.1 of this Agreement.

"Location" shall have the meaning set forth in Sections 1.1 and 5.1 of this Agreement.

"Manuals" means Franchisor's library of operations and training manuals, including start-up manual and franchise unit operation manual, and any other written directive related to the System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

"Market Introduction Program" shall have the meaning set forth in Section 5.6 of this Agreement.

"Marks" shall have the meaning set forth in Recital A above.

"Non-Proprietary Products" shall have the meaning set forth in Section 9.3 of this Agreement.

"Non-Traditional Venue" is a facility operated under the Marks located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, hotels and motels, casinos, stadiums, airports, colleges and universities, schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores and any site for which the landlord, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider.

"Notice of Election" shall have the meaning set forth in Section 3.3.1 of this Agreement.

“On-Site Training” shall have the meaning set forth in Section 6.2 of this Agreement.

“Owner” means any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of an Entity, except, that if Franchisor or any Affiliate of Franchisor has any ownership interest in Franchisee, the term “Owner” shall not include or refer to the Franchisor or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the “Franchisee”, or its Owners shall bind Franchisor, or said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers.

“Partnership Rights” means voting power, property, profits or losses, or partnership interests of a Partnership.

“Partnership” means any general partnership, limited partnership, or limited liability partnership.

“Permits” means and includes all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law.

“POS System” shall have the meaning set forth in Section 7.3.1(a) of this Agreement.

“Premises” means the premises owned, leased or subleased by Franchisee at which the Licensed Restaurant is located.

“Principal Equity Owner” shall mean each person owning 10% or more of Franchisee.

“Proprietary Software” shall have the meaning set forth in Section 7.3.1(b) of this Agreement.

“Proprietary Products” shall have the meaning set forth in Section 9.2 of this Agreement.

“Purchase Option” shall have the meaning set forth in Section 13.2.3(c) of this Agreement.

“Restaurant” means a restaurant being developed or operated, as the case may be, under the Marks and in accordance with the System and specializing in the sale of Authorized Gyu-Kaku Products for on-premises consumption.

“Restaurant Manager” means an individual, acceptable to, and Certified by, Franchisor, and responsible for overseeing the operation of the Licensed Restaurant.

“Restaurant Manager Incentive Program” shall have the meaning set forth in Section 7.2.4 of this Agreement.

“Restricted Persons” means Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers, and Affiliates of each of them, the “Operating Principal” (usually the trained Restaurant Manager), and the spouse and family members who live in the same household of each of the foregoing who are individuals.

“Site Review Request” shall have the meaning set forth in Section 5.1.1 of this Agreement.

“ServSafe” means the food safety training program administered by the National Restaurant Association Educational Foundation under the “ServSafe” name, or such other or additional food safety program or certification program designated or accepted by Franchisor from time to time for the jurisdiction in which the Licensed Restaurant is located.

“Successor Franchise Right” shall have the meaning set forth in Section 3.2 of this Agreement.

“Successor Franchise Agreement” means a Franchise Agreement entered into between Franchisor and Franchisee, under which Franchisee is granted the right to continue to operate the Licensed Restaurant for an additional five year term.

"Successor Term" means the additional 10-year term granted under a Successor Franchise Agreement.

"Supplier" shall have the meaning set forth in Section 9.3 of this Agreement.

"System" means the Franchisor's operating methods and business practices related to its Restaurants, and the relationship between Franchisor and its franchisees, including distinctive interior and exterior Restaurant designs, including architectural designs, layout plans, and the Ventilation System; other items of trade dress; specifications for equipment, fixtures, and uniforms; defined product offerings, recipes, and preparation methods; signs; Trade Secrets and other confidential information; restrictions on ownership; inventory techniques, standard operating and administrative procedures; management and technical training programs; and marketing and public relations programs; all as Franchisor may modify the same from time to time.

"Term" shall have the meaning set forth in Section 3.1 of this Agreement including any extensions thereof.

"Territory" shall have the meaning set forth in Section 2.3.1 of this Agreement.

"Trade Secrets" means Franchisor's proprietary and confidential information, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies, and methods and techniques of operating the Licensed Restaurant and producing Authorized Gyu-Kaku Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee's possession before receipt from Franchisor or that Franchisee may possess through managing or owning other restaurants, provided that upon Franchisor's request, Franchisee must provide Franchisor with reasonable evidence verifying that it possesses such information as a result of such management or ownership.

"Traditional Restaurant" is a business premises that exists primarily as a Restaurant, excluding any Restaurant at a Non-Traditional Venue, however, which Traditional Restaurant may also have other types of Franchisor-approved co-branded businesses located in it, but in such case the Restaurant is the primary business.

"Ventilation System" means the table-top downdraft ventilation system specified or designated or approved by Franchisor from time to time for use in Restaurants, including the Licensed Restaurant.

ARTICLE 2 GRANT

2.1 Grant. Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Term, to use and display the Marks, and to use the System, to operate one (1) Restaurant at, and only at, the Location upon the terms and subject to the provisions of this Agreement and all ancillary documents hereto. Without limiting the foregoing, Franchisee may not offer, sell or provide catering or take-out services.

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

2.3 Territorial Rights.

2.3.1 During the Term, neither Franchisor nor any Affiliate of Franchisor shall open or operate any Traditional Restaurant, nor license others to do so, within the geographic area described on Exhibit 1 (the "Territory").

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

(a) to own or operate, and to license others (which may include its Affiliates) to own or operate (i) Restaurants at any location outside the Territory, (ii) Non-Traditional Venues at any location, and of any type whatsoever, outside the Territory; and (iii) restaurants not offering Asian-style foods products, sauces, marinades that are substantially similar to Authorized Gyu-Kaku Products, operating under names other than "GYU-KAKU" and any of the other Marks, at any location, within or outside the Territory and regardless of their proximity to the Licensed Restaurant; and

(b) to produce, license, distribute and market GYU-KAKU Brand Products, including pre-packaged dipping sauces, marinades, dressings and other food and beverage products; books; clothing; souvenirs and novelty items; through any outlet (regardless of its proximity to the Restaurant opened pursuant hereto), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the Internet or Internet web site, mail order catalogues, direct mail advertising, delivery, catering and other distribution methods; and to advertise and promote the System through any means, including the Internet.

ARTICLE 3

TERM AND RIGHT TO ENTER INTO SUCCESSOR FRANCHISE AGREEMENT

3.1 Initial Term. The term of this Agreement ("Term") begins on the Effective Date and will end on earlier of (a) 11 years and 6 months following the Effective Date, or (b) the date which is 10 years following the date on which the Licensed Restaurant opens to the public for business, unless sooner terminated or extended pursuant hereto. Promptly following the Licensed Restaurant opening to the public, the parties shall mutually confirm in writing the date on which such event occurred; *provided that* the parties' failure to confirm such date shall not affect the Term of this Agreement, and in which case the date reflected on Franchisor's books and records as the date the Licensed Restaurant opened for business shall be determinative for all purposes.

3.2 Right to Enter into a Successor Franchise Agreement.

3.2.1 Subject to the conditions contained in Section 3.4 of this Agreement and Franchisee's compliance with Section 3.3 of this Agreement, and provided that Franchisor is then currently offering franchises in the same state in which the Franchisee's Restaurant is located, at the expiration of the Term hereof, Franchisee shall have the right (the "Successor Franchise Right") to enter into a new franchise agreement in the form then generally being offered to prospective franchisees of the System (the "Successor Franchise Agreement") for a 10 year period (the "Successor Term"). Franchisee acknowledges that the Continuing Royalty and Advertising Fee payable during the Successor Term shall be at the rates then generally applicable to new franchisees granted at the time.

3.2.2 The term of the Successor Franchise Agreement shall commence upon the date of expiration of the Term hereof; provided, however, that notwithstanding the terms of Franchisor's then-current form of Franchise Agreement:

(a) Franchisee shall not be required to pay an Initial Fee; and

(b) unless otherwise mutually agreed in writing, the Successor Franchise Agreement shall be modified to conform to the Successor Franchise Rights granted in franchisee's original franchise agreement for the Licensed Restaurant.

3.2.3 During the fourth and fifth years of the term of the Successor Franchise Agreement, Franchisee has a one-time option, exercisable upon 30 days written notice, to terminate the Successor Franchise Agreement without cause.

3.3 Form and Manner of Exercising Successor Franchise Right. The Successor Franchise Right must be exercised, if at all, strictly in the following manner:

3.3.1 At least 120 days before the expiration of the Term, Franchisee shall notify Franchisor in writing ("Notice of Election") that it intends to exercise its Successor Franchise Right and no sooner than immediately after the expiration of any waiting period(s) by Applicable Law and no more than 60 days after Franchisee receives a current Franchise Disclosure Document, if applicable, and execution copies of the

Successor Franchise Agreement, Franchisee shall execute the copies of said Successor Franchise Agreement and return them to Franchisor.

3.3.2 If Franchisee shall have exercised its Successor Franchise Right in accordance with Section 3.3.1 of this Agreement and satisfied all of the conditions contained in Section 3.4 of this Agreement, subject to the provisions of Section 3.3.3 below, Franchisor shall execute the Successor Franchise Agreement, executed by Franchisee and at or prior to the expiration of the Term or Successor Term, as the case may be, deliver one fully executed copy thereof to Franchisee.

3.3.3 Notwithstanding Section 3.3.2 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:

(a) 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.

(b) During the 180 days prior to expiration of the Franchise, Franchisor permits Franchisee to sell its Franchised Business to a purchaser meeting 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.

(c) Termination of this Agreement is permitted pursuant to Section 14.2 hereof.

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

(e) Franchisor withdraws from distributing its products or services through Franchises in the geographic market served by Franchisee, provided that (i) 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 franchisees of Franchisor; and (ii) The failure to renew is not for the purpose of converting the business conducted by Franchisee pursuant to this Agreement to operation by employees or agents of Franchisor for Franchisor's own account.

(f) At the time of renewal, Franchisee 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.

(g) 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.

3.3.4 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to the provisions of Sections 3.3 or 3.4 of this Agreement, in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise its Successor Franchise Right and shall automatically cause Franchisee's said Successor Franchise Right to lapse and expire.

3.4 Conditions Precedent to Entering into a Successor Franchise Agreement. Franchisee's Successor Franchise Right is conditioned upon Franchisee's fulfillment of each and all of the following conditions precedent:

3.4.1 At the time Franchisee delivers its Notice of Election to Franchisor and at all times thereafter until the commencement of the Successor Term, Franchisee shall have fully performed, in all material

respects, all of its material obligations under this Agreement, the Manuals and all other agreements then in effect between Franchisee and Franchisor (or its Affiliates).

3.4.2 At Franchisor's request, Franchisee shall, prior to the date of commencement of the Successor Term, undertake and complete at its expense, the remodeling, renovation, modernization, or refurbishing of the Premises, Location and the Licensed Restaurant, which may include installation of new or replacement equipment, to comply with Franchisor's then-current specifications and standards for new Restaurants.

3.4.3 Without limiting the generality of Section 3.4.1 of this Agreement, Franchisee shall not have committed 3 or more material defaults of Articles 4, 7, 9, 10, 11 or 12 of the Agreement during any 36 month period during the Term or Successor Term, as the case may be, of this Agreement for which Franchisor shall have delivered notices of default, whether or not such defaults were cured.

3.4.4 Franchisee, and Franchisee's employees, as applicable, shall comply with Franchisor's then-current qualification, training and certification requirements at Franchisee's expense.

3.4.5 Concurrently with the execution of the first Successor Franchise Agreement, Franchisee shall, and shall cause each of its Affiliates to, execute and deliver to Franchisor a general release, on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees.

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

ARTICLE 4 PAYMENTS

4.1 Initial Fee. Upon execution hereof, Franchisee shall pay to Franchisor the Initial Fee of \$50,000. In the event that: (i) Franchisee, or its Operating Principal, as applicable, fails to complete the Initial Training Program as provided in Section 6.1 of this Agreement; (ii) Franchisee is unable to locate an acceptable Location pursuant to Section 5.1 of this Agreement within 6 months following the Effective Date; (iii) Franchisee fails or is unable to obtain the appropriate building permits necessary to build and open the Restaurant, or (iv) Franchisee fails or is unable to obtain the license(s) or permit(s) necessary to sell alcoholic beverages (beer and wine only) at the Restaurant within 120 days after the signing of a Lease for the Licensed Location (or 120 days after a Certificate of Occupancy is issued to Franchisee if that document is required for the alcoholic beverage license to be effective), Franchisor may, at its option, elect to terminate this Agreement, in which case, Franchisor shall refund 50% of the Initial Fees less expenses incurred by Franchisor (legal, accounting, administrative and otherwise) in connection with this Agreement. Except as specifically provided in the previous sentence, the Initial Fee is non-refundable, in whole or in part, under any circumstances.

4.2 Continuing Royalty. Franchisee shall pay to Franchisor, by Electronic Funds Transfer as provided in Section 4.8, on or before the 7th day following the end of each Accounting Period, a continuing royalty (the "Continuing Royalty") in an amount equal to Franchisee's Gross Sales for the previous Accounting Period multiplied by the applicable royalty rate shown on the following chart for the corresponding calendar year-to-date Gross Sales:

<u>Percentage</u>	<u>Calendar Year Gross Sales</u>
5.0%	0 to \$1,500,000.00
4.5%	\$1,500,000.01 to \$2,000,000.00
4.0%	\$2,000,000.01 and over

[For example, if Franchisee generates annual Gross Sales equal to \$2,100,000, Franchisee shall pay Franchisor the aggregate total of \$75,000, \$22,500 and \$4,000, which equals \$101,500.]

Notwithstanding the foregoing, if the Restaurant is subject to laws or restrictions which prohibit Franchisor from collecting Continuing Royalties on the sale of alcoholic beverages, the applicable Continuing Royalty percentage shall be increased by 2% of Gross Sales, excluding sales of alcoholic beverages.

4.3 Advertising Fee. Franchisee shall pay to Franchisor, by Electronic Funds Transfer, as provided in Section 4.8, simultaneously with its Continuing Royalty payments, an Advertising Fee equal to 1.5% of its Gross Sales during the preceding Accounting Period ("Advertising Fee"). Franchisor shall contribute the Advertising Fee to the Brand Development Fund to be administered in the manner provided in Section 8.3 of this Agreement (the "Brand Development Fund"). Pursuant to Section 8.2 of this Agreement, Franchisor may also establish a co-op advertising fund for Franchisee's region. The fee for co-operative advertising will be determined by each co-op advertising region, as described in Section 8.2.2 of this Agreement.

4.4 Convention Registration Fee. Franchisor may schedule conventions and other system-wide or regional meetings at times and locations chosen by Franchisor. Franchisee shall pay to Franchisor a registration fee equal to \$500 per attendee for each person registered to attend a Franchisor designated convention (the "Convention Registration Fee") to defray the costs of holding the convention. Franchisee and such of Franchisee's personnel designated by Franchisor shall attend each such convention, unless Franchisor otherwise excuses Franchisee upon a showing of good cause. Franchisee shall bear all costs of attending the convention. Franchisor reserves the right during the Term to adjust the Convention Registration Fee payable by Franchisee for each attendee from time to time, but not to an amount in excess of \$700 per attendee. Franchisee's failure to attend, and/or failure to cause such personnel as designed by Franchisor to attend, any convention, or other system or regional meeting two consecutive times without Franchisor's prior written consent (which consent shall not be unreasonably withheld) shall, without limiting or affecting the materiality of any other default of this Agreement, constitute a material default of this Agreement.

4.5 Other Payments. In addition to all other payments provided herein, Franchisee shall pay to Franchisor, its Affiliates and designees, as applicable, promptly when due:

4.5.1 All amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever.

4.5.2 The amount of all sales taxes, use taxes, personal property taxes and similar taxes, which shall be imposed upon Franchisee and required to be collected or paid by Franchisor (i) on account of Franchisee's Gross Sales, or (ii) on account of Continuing Royalties, Advertising Fees or Initial Fees collected by Franchisor from Franchisee (but excluding ordinary income taxes). Franchisor, in its discretion, may collect the taxes in the same manner as Continuing Royalties are collected herein and promptly pay the tax collections to the appropriate Governmental Authority; provided, however, that unless Franchisor so elects, it shall be Franchisee's responsibility to pay all sales, use or other taxes now or hereinafter imposed by any Governmental Authorities on Continuing Royalties, Initial Fees, or Advertising Fees.

4.5.3 All amounts due for any reason, including (i) a flat *per diem* charge of \$50 for each employee of Franchisor who assists Franchisee with opening of the Licensed Restaurant, and (ii) on account of purchases of goods, supplies or services relating to the Licensed Restaurant.

4.6 Application of Funds. If Franchisee is delinquent in the payment of any obligation to Franchisor hereunder, or under any other agreement with Franchisor, Franchisor will have the absolute right to apply any payments received from Franchisee to any obligation owed, whether under this Agreement or otherwise, including

to Franchisee's vendors, Suppliers and landlord, notwithstanding any contrary designation by Franchisee as to application.

4.7 Interest and Charges for Late Payments. If Franchisee fails to pay to Franchisor the entire amount of the Continuing Royalty, Advertising Fee and all other sums owed to Franchisor or its Affiliates, promptly when due, Franchisee must pay, in addition to all other amounts which are due but unpaid, interest on the unpaid amounts, from the due date thereof, at an annual percentage rate ("APR") of 10%. If any check, draft, electronic transfer or otherwise, is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Franchisor's expenses arising from such non-payment, including bank fees in the amount of at least \$50.00 and any other related expenses incurred by Franchisor.

4.8 EFT and Pre-Authorized Payments.

4.8.1 Franchisee, at Franchisee's sole cost and expense, shall instruct its bank to pay the amount of its Continuing Royalty, Advertising Fee and other fees directly to Franchisor from Franchisee's account, by electronic funds transfer ("EFT") through the Automated Clearing House ("ACH") electronic network for financial transactions (or such other automatic payment mechanism which Franchisor may designate) directly from Franchisee's account into Franchisor's operating account. Promptly upon Franchisor's request, Franchisee shall execute or re-execute and deliver to Franchisor such pre-authorized check forms and other instruments or drafts required by Franchisor's bank, payable against Franchisee's bank account, to enable Franchisor to draw Franchisee's Continuing Royalty, Advertising Fee and other sums payable under the terms of this Agreement. Franchisee shall also, in addition to those terms and conditions set forth in the Manuals, maintain a single bank account for such payments (with reasonable overdraft protections) and shall maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee shall not alter or close such account except upon Franchisor's prior written approval. Any failure by Franchisee to implement such EFT system in strict compliance with Franchisor's instructions shall, without limiting the materiality of any other default of this Agreement, constitute a material default of this Agreement.

4.8.2 If Franchisee is delinquent more than 2 times in any continuous 36 month period during the Term in the payment of its Continuing Royalty, Advertising Fee or other fees, or of other sums due to Franchisor or to its Affiliates including on account of the purchase of goods or services, or fails to report its sales on a timely basis, Franchisor may require Franchisee to implement a system prescribed by Franchisor which shall permit Franchisor unilaterally to estimate and draw down the amounts owed by Franchisee, which system may include EFT systems, automatic debits, use of Franchisee pre-authorized checks, other instruments or authority or any other arrangement Franchisor may prescribe. Franchisor may base its estimates of Advertising Fees, Continuing Royalties and similar payments which are calculated based on Gross Sales, on Franchisee's historically reported Gross Sales. Franchisee shall, without limiting the materiality of any other default of this Agreement, promptly implement such system in strict accordance with Franchisor's instructions and failure to do so shall constitute a material default of this Agreement.

ARTICLE 5 CONSTRUCTION AND COMMENCEMENT OF BUSINESS

5.1 Location. Franchisee's Restaurant shall be located at the Location.

5.1.1 If no Location has been inserted in the blank space provided above at the time of execution of this Agreement, Franchisee shall promptly following the execution hereof locate one or more proposed sites which meet Franchisor's then-current standards and specifications. Franchisee shall submit to Franchisor such demographic and other information regarding the proposed site(s) and neighboring areas as Franchisor shall require, in the form prescribed by Franchisor ("Site Review Request"). Franchisor may seek additional information as it deems necessary within 30 days of submission of Franchisee's Site Review Request, and Franchisee shall respond promptly to such request for additional information. If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts the proposed site, within 30 days of receipt of Franchisee's Site Review Request, or within 15 days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. If the Franchisor accepts the proposed site it shall notify Franchisee of its acceptance of the site. Promptly following mutual execution of this Agreement, or Franchisor's acceptance of a proposed site, if no Location has been inserted in the blank space provided above, Franchisee shall proceed to negotiate a Lease or purchase agreement for the site and shall submit to Franchisor a copy of the proposed

Lease or purchase agreement, as applicable, to Franchisor. Franchisee shall not enter into any Lease or purchase agreement for the Location unless Franchisor has accepted the proposed site and such site shall be deemed to the "Location" as defined above. Franchisee shall begin operating the Licensed Restaurant within 18 months after the Effective Date. Unless waived by Franchisor in whole or in part, upon submitting a second Site Review Request to Franchisor for review provided that the lease for the Location has been successfully executed, and for each Site Review Request thereafter, Franchisee shall reimburse Franchisor for all costs and expenses of Franchisor incurred in reviewing the Site Review Requests, including travel and accommodation costs and payments to consultants and agents retained by Franchisor to assist in conducting such review and including a reasonable allocation of overhead and administrative expenses.

5.1.2 Franchisee may not conduct any activities associated with Franchisor or the Marks at any location except for operating the Licensed Restaurant in accordance with this Agreement, or other agreement with Franchisor.

5.1.3 Franchisee may not relocate the Licensed Restaurant without Franchisor's prior written consent. If Franchisor shall consent to any relocation, Franchisee shall de-identify the former location in the manner described in Section 15.1.1 of this Agreement with respect to Franchisee's obligations upon termination and expiration, and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including legal fees, arising out of Franchisee's failure to do so.

5.2 Franchisor Site Selection Assistance. Franchisor may voluntarily (without obligation) assist Franchisee in obtaining an acceptable location. Neither Franchisor's said assistance, if any, its acceptance of Franchisee's proposed site, nor its acceptance of the proposed Lease or purchase agreement shall be construed to insure or guarantee the profitable or successful operation of the Licensed Restaurant by Franchisee, and Franchisor hereby expressly disclaims any responsibility therefore. Franchisor's acceptance of a location is solely an indication that the Location meets Franchisor's minimum standards and specifications at the time of acceptance and such acceptance shall not be construed as any express or implied representation or warranty that the Location will be profitable or successful. Franchisee acknowledges its sole responsibility for finding the Location. Franchisee acknowledges its sole responsibility for finding each site for the Restaurant it develops pursuant to this Agreement.

5.3 Lease or Purchase of Location.

5.3.1 If the Location is leased or subleased, (i) the Lease shall name Franchisee as the sole lessee thereunder and may not be assigned or sublet without Franchisor's prior written consent, said consent shall not be unreasonably withheld or conditioned; (ii) Franchisor shall have the right to review and accept or reject the Lease, a true and correct copy of which shall be delivered to Franchisor at least 15 days prior to the execution thereof; (iii) Franchisee shall neither create nor purport to create any obligations on behalf of Franchisor, nor grant or purport to grant to the landlord thereunder any rights against Franchisor, nor agree to any other term, condition, or covenant which is inconsistent with any provision of this Agreement; (iv) the Lease shall be for a term (including options) which is not less than the Term of this Agreement (plus each Successor Term), unless Franchisor shall approve, in writing, a shorter term of the Lease; (v) the Lease shall not contain a non-competition covenant which purports to restrict the Franchisor, or any franchisee or licensee of the Franchisor (or its Affiliates), from operating a Restaurant or any other retail establishment, unless such covenant is approved by the Franchisor in writing prior to the execution of the Lease; (vi) Franchisee shall duly and timely perform all of the terms, conditions, covenants and obligations imposed upon Franchisee under the Lease; and (vii) a fully executed copy of said Lease, in the form and on the terms previously accepted by Franchisor, shall be delivered to Franchisor promptly following the execution thereof and upon Franchisor's request.

5.3.2 Franchisee and Franchisee's landlord may be required to execute an addendum to the 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 Location if Franchisee is in material default of either (A) the lease for the Location (including an obligation of the landlord to notify Franchisor if Franchisee is in such default), or (B) this Agreement, and (ii) requires the landlord to fully cooperate with Franchisor in completing de-identification of the Restaurant in the event this Agreement is terminated or expires without being renewed. Franchisor's review and acceptance of the Lease is solely for Franchisor's benefit and is solely an indication that the Lease meets Franchisor's minimum standards and specifications at the time of acceptance for the Lease (which may be different than the requirements of this Agreement). Such review and acceptance shall not be construed as any

express or implied representation or warranty that the Lease complies with Applicable Law or represents a lease transaction that is fair or in Franchisee's best interest.

5.3.3 If Franchisor or its designee elects to succeed to Franchisee's rights under the Lease, as aforesaid, Franchisee shall assign to Franchisor or such designee all of its right, title, interest and obligations in, under and to the Lease, whereupon the landlord thereunder shall attorn to Franchisor or such designee as the tenant thereunder. Franchisee shall execute and deliver to Franchisor or such designee such assignment and take such further action as Franchisor or such designee, as applicable, in its sole and absolute discretion, may deem necessary or advisable to effect such assignment, within 10 days after written demand by Franchisor or such designee to do so, and upon Franchisee's failure to do so, Franchisor or such designee shall be, and hereby is, appointed Franchisee's attorney in fact to do so. This power of attorney granted by Franchisee to Franchisor and such designee is a special power of attorney coupled with an interest and is irrevocable and shall survive the death or disability of Franchisee. Any sum expended by Franchisor or such designee to cure Franchisee's breach of the Lease shall be deemed additional sums due Franchisor hereunder and Franchisee shall pay such amount to Franchisor upon demand. The covenants of Franchisee contained in this Section 5.3 shall survive the termination, expiration or transfer of this Agreement. Franchisor's acceptance of the Lease shall not constitute Franchisor's assurance that the terms of the Lease are favorable to Franchisee, or that the location will be successful.

5.3.4 Franchisee hereby authorizes Franchisor to communicate with the landlord under the Lease (and hereby authorizes such landlord to communicate with Franchisor) for any purpose, including de-identification of the Location following the termination, expiration or transfer of this Agreement, Franchisee's sales, Franchisee's defaults under this Agreement or the Lease and negotiating a lease for the Location commencing following the termination, expiration or transfer of the Franchisee's Lease. Franchisee shall at all times fully perform each and all of its obligations under the Lease.

5.3.5 If the Location is to be purchased by Franchisee, the contract for purchase and sale shall be subject to Franchisor's review and acceptance (which will not be unreasonably withheld). A true and correct copy of the contract shall be delivered to Franchisor at least 15 days prior to the execution thereof, and a true and correct copy of such executed contract shall be furnished to Franchisor within 15 days after execution.

5.4 Construction.

5.4.1 Following the Effective Date and before the renovation or construction of the Licensed Restaurant or the Location, Franchisor shall provide Franchisee with copies of Franchisor's specifications for the design and layout of the Licensed Restaurant and required fixtures, equipment, furnishings, decor, trade dress, and signs. The Licensed Restaurant must be constructed, equipped and improved by Franchisee at its sole cost and expense in compliance with Franchisor's current design criteria (including the Gyu-Kaku Restaurant Prototype program) in the design and build out of the Licensed Restaurant. Franchisor will coordinate and manage (i) all design development to be provided by designated consulting architects, and (ii) grease duct design, lighting design, interior design and audio and surveillance system design to be provided by a vendor Franchisor has pre-approved. Franchisee must use the Gyu-Kaku Design team throughout the Design Development phase, and before Franchisee requests a building permit from Franchisee's city (or other government agency), Franchisee must obtain Franchisor's review and consent to Franchisee's final plans. Franchisor's additional fee for managing the architects, contractors and vendors under this program will be a surcharge ranging from 3% to 5% on the invoices for services by these architects, contractors and vendors. Details of the Gyu-Kaku Restaurant Prototype program are contained in the Manual or will otherwise be provided to Franchisee in writing. Franchisee may employ reputable licensed architects, engineers and general contractors of its own selection, and at its sole cost and expense, to prepare such architectural, engineering and construction drawings and site plans, and to obtain all Permits required to construct, remodel, renovate, and/or equip the Licensed Restaurant and Premises, but only if these architects, engineers and general contractors have been reviewed, qualified and approved by the Gyu-Kaku Development Department. Franchisor will facilitate the bidding (or Request For Proposal) process for your project by coordinating with the architect, compiling all required bidding documents, soliciting three approved experienced national general contractors and a selection of other approved vendors to provide estimates on Franchisee's project. Franchisor will then work with Franchisee to select the best qualified and cost-effective contractors and vendors for Franchisee's project. Franchisor will assist Franchisee by providing standard construction contracts, vendor agreements and related documents for review by Franchisee's attorney or other professional advisors. Franchisor will assist with managing the construction process with scheduling, requests for information (RFI) and change order review and response, weekly reporting and quality control. However, these

services Franchisor provides to Franchisee in the development process of the Licensed Restaurant are not to be considered a guarantee by Franchisor of the services provided by others nor does Franchisor accept any liability for costs or any other obligations or liabilities relating to your project. All plans and modifications to the Location must be submitted to Franchisor for Franchisor's review and acceptance before Franchisee starts construction, Franchisee may not deviate from Gyu-Kaku design developed by Franchisor, and any change or deviation from Gyu-Kaku construction documents must be approved by Franchisor before execution. Unless Franchisor notifies Franchisee in writing that the plans and modifications are accepted, they will be deemed rejected. Franchisor may require Franchisee to engage, at Franchisee's sole cost, a designated or recommended construction consultant. All such plans, and modifications and revisions thereto, shall be submitted to Franchisor for its prior review and acceptance before Franchisee's commencement of construction (within 180 days after the Effective Date, unless Franchisor otherwise agrees in writing). Franchisor shall promptly provide any comments to the architectural plans submitted to Franchisor. If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts such design criteria, the design criteria shall be deemed rejected.

5.4.2 Franchisor has the right, but not the obligation, to perform inspections of the Licensed Restaurant and Premises during construction and after construction to ensure that the Licensed Restaurant is built in accordance with the drawings and specifications approved by Franchisor, and all fixtures, signs, furnishings and equipment are in compliance with Franchisor's standards and specifications. Franchisee may not open the Licensed Restaurant for business until Franchisee has received written authorization to open from Franchisor, which authorization may be conditional and subject to Franchisor's reasonable satisfactory inspection of the Licensed Restaurant.

5.4.3 Franchisee may from time to time request additional information regarding the design and construction of the Licensed Restaurant, which, if in the possession of Franchisor, shall be provided at no expense to Franchisee. Upon request, Franchisor shall provide additional site visits, project management, design work and equipment purchasing services to Franchisee at Franchisee's sole cost.

5.4.4 Subject only to Force Majeure (provided that Franchisee continuously complies with Section 5.4.6 of this Agreement), Franchisee shall complete construction or renovation, as the case may be, of the Premises, the Licensed Restaurant and all improvements therein, including installation of all fixtures, signs, equipment and furnishings as soon as possible, but in any event within nine months after commencement of construction, unless Franchisor consents in writing to a longer period of time. The operation of the Licensed Restaurant by Franchisee shall commence not later than 18 months following the Effective Date.

5.4.5 The time periods for the commencement and completion of construction and the installation of fixtures, signs, machinery and equipment as referred to in this Section 5.4 are of the essence of this Agreement. If Franchisee fails to perform its obligations contained in this Section, the Franchisor may, without limiting the materiality of any other default of this Agreement, deem the Franchisee's failure to so perform its obligations to constitute a material default of this Agreement.

5.4.6 In the event of the occurrence of an event which Franchisee claims to constitute Force Majeure, Franchisee shall provide written notice to Franchisor in writing within five business days following commencement of the alleged Force Majeure which notice shall include the words "Force Majeure" and explicitly describe the specific nature and extent of the Force Majeure, and how it has impacted Franchisee's performance hereunder. Franchisee shall provide Franchisor with continuous updates (no less frequently than once each week) on Franchisee's progress and diligence in responding to and overcoming the Force Majeure, and shall notify Franchisor immediately upon cessation of such Force Majeure, and provide all other information as may be requested by Franchisor. If Franchisee shall fail to notify Franchisor of any alleged Force Majeure within said five business days, or shall fail to provide any such updates during the continuance of the alleged Force Majeure, Franchisee shall be deemed to have waived the right to claim such Force Majeure.

5.4.7 Franchisor's acceptance of Franchisee's plans and specifications for the Location, Franchisor's guidance with the development of the Location, and Franchisor's authorization to open the Licensed Restaurant are to assure that Franchisee complies with Franchisor's standards and specifications, and shall not be construed as any express or implied representation or warranty that the Location complies with any applicable laws, codes or regulations or that the construction is sound or free from defects. Franchisor's criteria for acceptance or rejection do not encompass technical, architectural or engineering considerations. Franchisor will have no liability with respect to construction of the Location, nor shall Franchisor be responsible in any way for delays or losses occurring during the design, construction or other preparation of the Licensed Restaurant,

whether caused by the condition of the Location, the design, engineering, construction, equipping, decorating, or stocking of the Licensed Restaurant, or any other reason. Franchisee expressly acknowledges and agrees that Franchisor does not, directly or indirectly, warrant or ensure that the design, decor, appearance, fixtures, layout, and/or other improvements of the Licensed Restaurant will guaranty Franchisee's success.

5.5 Maintaining and Remodeling of Licensed Restaurant.

5.5.1 Franchisee shall maintain the condition and appearance of the Licensed Restaurant in a level of cosmetic appearance consistent with the image of Restaurants as attractive, clean, and efficiently operated, offering quality food products and beverages, efficient and courteous service, and pleasant ambiance. If at any time in the Franchisor's reasonable judgment, the state of repair, appearance or cleanliness of the Franchisee's Premises (including the Licensed Restaurant and the non-Restaurant portion of Franchisee's Premises) or its fixtures, equipment, furnishings, signs or utensils fail to meet the Franchisor's standards therefor, Franchisee shall immediately upon receipt of notice from Franchisor specifying the action to be taken by Franchisee (within the time period specified by Franchisor), correct such deficiency, repair and refurbish the Licensed Restaurant and Premises, as applicable, and make such modifications and additions to its layout, decor and general theme, as may be required, including replacement of worn out or obsolete fixtures, equipment, furniture, signs and utensils, and repair and repainting of the interior and exterior of the Licensed Restaurant, the Premises and appurtenant parking areas (if any). Such maintenance shall not be deemed to constitute remodeling, as set forth below, unless the cost for such maintenance exceeds \$5,000 in which event the maintenance shall be deemed to constitute remodeling, as set forth below.

5.5.2 In addition to Franchisee's obligations under Section 5.5.1, anytime during the Term after the fifth anniversary of the Effective Date, but not more frequently than once during the Term or as a condition to Franchisee's exercising its Successor Franchise Right, Franchisor may require Franchisee, at Franchisee's sole cost and expense, to refurbish, remodel and improve the Licensed Restaurant to conform the Franchisee's building design, trade dress, color schemes, and presentation of Marks to Franchisor's then current public image (or image implemented or in development at a Restaurant owned or operated by Franchisor or any of its Affiliates). Such a remodeling may include extensive changes to the Licensed Restaurant and replacement or modification of furnishings, fixtures and equipment as well as such other changes as the Franchisor may direct, and Franchisee shall undertake such a program promptly upon notice from the Franchisor, and shall complete any such remodeling as expeditiously as possible, but in any event within 90 days of commencing same (and no later than the commencement of the applicable Successor Term). In the event that the total cost of the remodeling is reasonably expected to exceed \$50,000 (and does exceed \$50,000), Franchisee shall have 6 months from commencement to complete such remodeling. Franchisor may, on one or more occasions, waive or defer for such period of time as Franchisor may deem appropriate, Franchisee's obligation to remodel the Licensed Restaurant, if Franchisor determines in its reasonable judgment that the Licensed Restaurant is, on the date scheduled for commencement of such remodel, in substantial conformity with Franchisor's then current standard system decor specifications. If the total cost of the remodeling is reasonably expected to exceed \$50,000 and is to be commenced within the two years immediately prior to the expiration of the Term and Franchisee notifies Franchisor that Franchisee does not intend to exercise the Successor Franchise Right, and relinquishes such right, in writing, then at Franchisee's request (which request shall be made prior to the commencement of the subject remodeling, renovation or modernization, and no later than 30 days before the end of the Term), Franchisor will either (i) extend the Term for a period of exactly 2 years (if the landlord at the Licensed Restaurant agrees to such an extension of the applicable lease), or (ii) waive Franchisee's obligation to remodel.

5.5.3 If the Licensed Restaurant is damaged or destroyed by fire or any other casualty, Franchisee, within 90 days thereof (unless the insurer responsible for payment requires additional time to process the claim and authorize the initiation of repairs), shall initiate such repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) such repairs or reconstruction, in order to restore the premises of the Licensed Restaurant to its original condition prior to such casualty; any such repair and reconstruction shall be completed as soon as reasonably practicable but in any event within 6 months following the event causing the damage or destruction. If, in the Franchisor's reasonable judgment, the damage or destruction is of such a nature or to such extent that it is feasible for Franchisee to repair or reconstruct the Location and the Licensed Restaurant in conformance with Franchisor's then standard System decor specifications for new Restaurants, the Franchisor may require that Franchisee repair or reconstruct the Premises and Restaurant operated pursuant hereto in conformance with the then standard System decor specifications.

5.6 Market Introduction Advertising. Unless Franchisor otherwise agrees in writing, Franchisee shall, in addition to the advertising and promotion required by Article 8 of this Agreement, expend a reasonable amount that both parties agree is appropriate to conduct a market introduction advertising promotion in accordance with the Manuals and with Franchisor's prior written approval as to form, method and content (the "Market Introduction Program") for the Licensed Restaurant which shall be implemented during the 1 month prior, and the 4 months following, the opening of the Licensed Restaurant to the public. Franchisee's expenditures in connection with the Market Introduction Program are in addition to other advertising and marketing requirements under Section 8.1. The Market Introduction Program:

5.6.1 Will utilize marketing and public relations programs and media and advertising materials supplied and/or approved by Franchisor; and

5.6.2 Will be conducted in accordance with Franchisor's specifications and standards and in accordance with a market introduction advertising plan which Franchisee prepares and submits to Franchisor's for approval at least 60 days prior to the opening date of the Licensed Restaurant. Franchisor hereby reserves the right to reject all or part of such plan and Franchisee shall revise such plan in response thereto.

ARTICLE 6 TRAINING

6.1 Initial Training Program.

6.1.1 At no additional charge, Franchisor shall provide an Initial Training Program in the Franchisor's System and methods of operation (the "Initial Training Program") at the Franchisor's training facilities in Los Angeles, California or other location specified by Franchisor, to up to 4 persons selected by Franchisee who shall include the Operating Principal and Restaurant Manager(s) of the Licensed Restaurant. If in Franchisor's opinion there is additional capacity at the commencement of (and throughout) the Initial Training Program being attended by Franchisee's initial trainees (up to 4 individuals), Franchisor will permit additional personnel of Franchisee to attend the Initial Training Program without requiring Franchisee to pay an additional fee to have such individuals attend the Initial Training Program. If Franchisee is an Entity, the Operating Principal shall be an Owner, officer or other designated representative selected by Franchisee and acceptable to, and approved by Franchisor. The Initial Training Program shall consist of approximately 5 weeks of training for the Operating Principal and shall consist of approximately 4 weeks of training for the Restaurant Manager(s). However, the Initial Training Program may be extended by Franchisor in its reasonable discretion if necessary for satisfactory completion. The Initial Training Program shall be provided by Franchisor prior to the opening of the Licensed Restaurant and must be satisfactorily completed by Franchisee before the Licensed Restaurant opens to the public. If an attendee sent by Franchisee is in Franchisor's reasonable determination incapable of being trained or incapacitated, Franchisor may require the attendee to leave the Initial Training Program until such time, if any, that Franchisor deems the attendee capable of rejoining the Initial Training Program (and in such circumstances, Franchisor will not be liable for wages or other expenses of such attendees removed from training). Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's employees in connection with attendance at training programs. Franchisee may not open the Licensed Restaurant until such training shall have been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor. All personnel attending training must have first successfully completed the ServSafe program.

6.1.2 Franchisor shall determine the contents and manner of conducting the Initial Training Program in its discretion, however, the training course will be structured to provide practical training in the implementation and operation of a Restaurant and may include such topics as on-site food preparation, portion control, preparation and cooking procedures, packaging procedures, Franchisor's standards, marketing and customer service techniques, reports and equipment maintenance.

6.1.3 The Initial Training Program shall not be provided if (i) Franchisee or any Affiliate of Franchisee owns or operates a Restaurant as of the Effective Date, or (ii) this Agreement is executed as a Successor Franchise Agreement.

6.1.4 Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Restaurant, its judgment as to whether or not the

Franchisee or his manager has satisfactorily completed such training shall be determined by Franchisor in its judgment.

6.2 On-Site Training. Commencing shortly before and ending shortly after the Licensed Restaurant opens to the public, Franchisor shall, at no additional charge, provide up to 10 days of on-site training to Franchisee's Operating Principal and Restaurant Manager(s), but Franchisee must reimburse Franchisor for its reasonable out of pocket (including, Franchisor's transportation costs, food, lodging and similar costs incurred in connection with such training) expenses ("On-Site Training"). The On-Site Training shall be provided at Franchisor's sole discretion and control; however, the training will be structured to provide additional practical training in the implementation and operation of a Restaurant.

6.3 Additional Training.

6.3.1 All newly hired and replacement Operating Principal(s) and Restaurant Manager(s) of the Licensed Restaurant shall be subject to Franchisor's reasonable approval and shall successfully complete, to Franchisor's satisfaction, the Initial Training Program conducted by Franchisor and, if required, be certified by Franchisor for the position designated by Franchisee. Notwithstanding the first sentence of this Section, the Restaurant Managers of Franchisee shall have the skill level, training and experience commensurate with the demands of the position, and in keeping with Franchisor's high standards for quality products, courteous service, and cleanliness of operations. A fully trained Restaurant Manager or assistant manager shall, to Franchisor's satisfaction, train each of Franchisee's regular employees prior to the first opening of the Licensed Restaurant to the public and at all times thereafter during the Term. At all times during the Term, Franchisee shall employ an adequate staff of employees working at the Licensed Restaurant who shall have been fully and adequately trained, in Franchisor's judgment, and all such employees shall have completed all training certification(s) required by any Governmental Authority.

6.3.2 Franchisee shall pay Franchisor's then current, reasonable charges (as set forth in the Manuals) for any such training performed by Franchisor at Franchisee's request, or which is otherwise required hereunder and not covered by Section 6.1.1 of this Agreement.

6.3.3 Franchisee must use Franchisor's Gyu-Kaku Training Manual to train and instruct its personnel in Licensed Restaurant operations and procedures, as applicable.

6.3.4 Franchisor may, from time to time, (i) require Franchisee, its Operating Principal and each Restaurant Manager, or any of them, to attend quarterly conferences with Franchisor's representatives to discuss marketing, sales, operations and other matters pertinent to the Franchised Business, and other additional training courses or programs (collectively, "Additional Training") during the Term; or (ii) make available to Franchisee, its Operating Principal and each Restaurant Manager, or any of them, optional Additional Training during the Term. Additional Training may be held on a national or regional basis at locations selected by Franchisor to instruct Franchisee with regard to new procedures or programs which Franchisor deems, in its judgment, to be of material importance to the operation of the Licensed Restaurant. Such Additional Training may relate, by way of illustration, to product production techniques, new recipes, marketing, bookkeeping, accounting and general operating procedures, and the establishment, development and improvement of computer systems. Franchisor may establish reasonable charges applicable to all franchisees similarly situated for such optional training courses. The time and place of such training courses shall be at Franchisor's discretion. In addition to any charge Franchisor may establish, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred in connection with attendance at such courses. Franchisor shall pay no compensation to trainees for any services performed by them in connection with the Additional Training.

6.3.5 Franchisor and its designees shall have the right upon not less than seven days prior notice to enter the Licensed Restaurant to conduct training programs for franchisees (and prospective franchisees) of Franchisor, from time to time and at a time and in a manner consistent with Franchisor's reasonably established policies and procedures in effect from time to time.

6.4 Employee Certification Program. Franchisor may, at its option and in its discretion, provide an employee certification program and re-certification program (the "Employee Certification Program") to each employee of Franchisee or certain categories of management or senior staff at the Licensed Restaurant. The Employee Certification Program will consist of a one or more proficiency exams designed to test and evaluate an

employee's initial and/or continuing ability to carry-out employment duties and responsibilities. Franchisor may prohibit Franchisee from allowing an employee of Franchisee from offering any services at or in connection with the Licensed Restaurant until he or she has successfully completed the Employee Certification Program (including any re-certification program established by Franchisor) to Franchisor's satisfaction and passed the proficiency examination established by Franchisor.

6.5 Other Assistance.

6.5.1 Franchisee shall have the right, at no additional charge, to inquire of Franchisor's headquarters staff, its field representatives and training staff with respect to problems relating to the operation of the Licensed Restaurant, by telephone, electronic mail, facsimile, or other means of correspondence, and Franchisor shall use its best efforts to diligently respond to such inquiries, in order to assist Franchisee in the operation of the Licensed Restaurant. At no time shall reasonable assistance be interpreted to require Franchisor to pay any money to Franchisee or to defer Franchisees' obligation to pay any sums to Franchisor.

6.5.2 Franchisor may, but shall not be obligated to (i) cause its field representatives to visit the Licensed Restaurant to advise, consult with, or train Franchisee in connection with its performance and operation of the Licensed Restaurant and Franchisee's compliance with the Manuals; or (ii) permit Franchisee or certain of its employees to provide assistance, consultation, or additional training at a Restaurant selected by Franchisor. If Franchisor provides such additional assistance, consultation or training to Franchisee (w) such assistance, consultation or training will be subject to Franchisor's capacity, scheduling, and discretion, but Franchisor shall not be obligated to provide that assistance, consultation or training, (x) Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's employees in connection with such additional assistance, consultation, or training, (y) Franchisor shall not pay any compensation to Franchisee or Franchisee's employees for providing services at Franchisor's or another Franchisee's Restaurant in connection with the assistance, consultation, or training, and (z) Franchisee shall reimburse Franchisor for all reasonable transportation costs, food, lodging and similar costs incurred by Franchisor and its personnel in connection with such training. Franchisor will exercise its reasonable discretion whether any such visits are necessary.

6.5.3 In the event of any sale transfer, or Assignment, the transferee/assignee must be trained by Franchisor as a condition of Franchisor's consent to such transfer. The Licensed Restaurant shall not be transferred, opened, or re-opened by the transferee until Franchisor accepts the transferee in writing as being certified to operate the Restaurant and Franchisor has otherwise consented to the transfer in accordance with this Agreement.

ARTICLE 7 MANUALS AND STANDARDS OF OPERATOR QUALITY, CLEANLINESS AND SERVICE

7.1 Compliance with Applicable Law. Franchisee shall operate the Licensed Restaurant as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies, and shall comply with all Applicable Laws. Franchisee shall not cause or allow any part of its Location or Premises to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action (or failing to take any action) which will cause Franchisor to be in violation of any Applicable Law. Franchisee shall refrain from engaging in action (or failing to take any action), which in the sole opinion of Franchisor, causes or could cause harm to the Marks, the System and/or the "GYU-KAKU" brand. If Franchisee shall receive any notice, report, fine, test results or the like from the applicable state or local department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor. Franchisee shall correct any such deficiency noted within 10 days or such fewer number of days as required by the applicable Governmental Authority.

7.2 Operating Principal and Management Employees.

7.2.1 The Operating Principal shall be principally responsible for communicating and coordinating with Franchisor regarding business, operational and other ongoing matters concerning this Agreement and the Licensed Restaurant. The Operating Principal shall have the full authority to act on behalf of

Franchisee in regard to performing, administering or amending this Agreement. The Operating Principal shall be vested with the authority and responsibility for the day-to-day operations of the Licensed Restaurant and all other Restaurants owned or operated, directly or indirectly, by Franchisee or its Affiliates within a geographic area specified by Franchisor. The Operating Principal shall, during the entire period he or she serves as such, meet the following qualifications: (i) shall devote full time and best efforts solely to operation of all Restaurants owned or operated, directly or indirectly, by Franchisee or its Affiliates in such geographic area and to no other business activities until such time as designated general managers reasonably acceptable to Franchisor assume such duties on a full-time basis; (ii) meet Franchisor's educational, experience, financial and other reasonable criteria for such position, as set forth in the Manuals or otherwise in writing by Franchisor; and (iii) be an individual acceptable to Franchisor. The Operating Principal shall be responsible for all actions necessary to ensure that all Restaurants owned or operated, directly or indirectly, by Franchisee in such geographic area are operated in compliance with this Agreement and the Manuals. If during the Term the Operating Principal is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section (including Franchisor's subsequent disapproval of such person), Franchisee shall promptly notify Franchisor of such occurrence. Thereafter, Franchisee shall promptly, but not later than 30 days after the prior Operating Principal ceases to serve Franchisee, (w) designate a replacement operating principal who meets Franchisor's then-current qualification requirements, (x) provide Franchisor with such information about such new Operating Principal as Franchisor may request, (y) cause such replacement Operating Principal to undergo, at Franchisee's cost, such training as Franchisor may require, and (z) obtain Franchisor's written acceptance of such person as the Operating Principal. Franchisor may, but is not required to, deal exclusively with the Operating Principal in such regards unless and until Franchisor's actual receipt of written notice from Franchisee of the appointment of a successor Operating Principal who shall have been accepted by Franchisor.

7.2.2 Franchisee shall notify Franchisor in writing at least 10 days prior to employing the Operating Principal setting forth in reasonable detail all information reasonably requested by Franchisor. Franchisor's acceptance of the Operating Principal shall not constitute Franchisor's endorsement of such individual or a guarantee by Franchisor that such individual will perform adequately for Franchisee or its Affiliates, nor shall Franchisor be estopped from subsequently disapproving or otherwise challenging such person's qualifications or performance.

7.2.3 Franchisee shall ensure that the operation of the Licensed Restaurant is at all times under the direct control of a Restaurant Manager or Restaurant Managers trained by Franchisor in accordance with Article 6 of this Agreement. At all times that the Licensed Restaurant is open and at all times which pre-opening or post-closing activities are being undertaken at the Licensed Restaurant, the Licensed Restaurant shall be managed by a person that has successfully completed training (and if required, a person that is Certified for the performance of such responsibilities) and has successfully completed the ServSafe course and such other courses and training as may be specified by Franchisor and/or required by Applicable Law. Each Restaurant Manager shall be solely dedicated to the operation of the Restaurant to which the person is assigned.

7.2.4 Franchisee must participate in the Restaurant Manager Incentive Program, which program provides quarterly incentive payments to Restaurant Managers for achieving (i) seven separate primary incentive goals (that can result in compensation of up to \$8,000 if all seven primary goals are realized) and (ii) then, if the primary incentive goals are met, for placing 1st, 2nd or 3rd among Restaurant Managers in four additional secondary incentive categories (that can result in additional compensation from \$200 for a single 3rd place finish up to \$2,500 for achieving all four 1st place goals). The details of the Restaurant Manager Incentive Program are contained in the franchise unit operation manual.

7.3 POS System; Computer.

7.3.1 POS System

(a) Franchisee shall purchase, use and maintain the computerized point of sale cash collection system (including all related hardware and software) as specified in the Manuals or otherwise by Franchisor in writing for use in connection with the Licensed Restaurant (the "POS System"). The POS System must be connected to a telephone line (or other high-speed communications medium specified by Franchisor) at all times and be capable of accessing the Internet via a designated third party network for the purpose of implementing software, transmitting and receiving data, accessing the Internet for ordering and maintaining the POS System. The POS System shall be electronically linked to Franchisor or its designated Affiliate, and Franchisee shall allow Franchisor and/or its designated Affiliate, to poll the POS System on a daily or other basis

at such times and in such manner as established by the Franchisor or its designated Affiliate, with or without notice, and to retrieve such transaction information including sales, sales mix, usage, and other operations data as Franchisor and/or its designated Affiliate deems appropriate. Franchisee shall ensure that only adequately trained employees, in Franchisor's discretion, shall conduct transactions using the POS System. Within a reasonable time upon Franchisor's request, Franchisee shall apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to purchase Authorized Gyu-Kaku Products via such procedure, as specified by Franchisor. Franchisor may require Franchisee to update, upgrade or replace the POS System, including hardware and/or software, from time to time upon written notice, provided that Franchisee shall not be required to replace the POS System any more frequently than once each year.

(b) If Franchisor designates that certain computer software must be used in the operation of the POS System and/or Computer System which is owned or licensed by Franchisor ("Proprietary Software"), Franchisee shall at Franchisor's request license or sublicense such software from Franchisor or its designee and enter into a software (sub)license agreement on Franchisor's or such designee's then-current form. From time to time, Franchisee shall purchase any upgrades, enhancements or replacements to the Proprietary Software. Franchisor shall provide to Franchisee, for a reasonable fee, such support services relating to the Proprietary Software as Franchisor deems advisable. 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 shall not install, and shall prohibit others from installing, unauthorized software on the POS System and the Computer System. Franchisee shall take all commercially reasonable measures to insure that no virus, Trojan horse, malicious code or other unauthorized code or software is installed on, or transmitted by, the POS System or the Computer System. Franchisee shall from time to time communicate to Franchisor all passwords, access keys and other security devices or systems necessary to permit Franchisor to access the POS System and Computer System and obtain the data Franchisor is permitted to obtain hereunder.

7.3.2 Computer. Upon not less than 60 days prior written notice from Franchisor, Franchisee shall purchase, use and maintain the minimum number of personal computers as specified in the Manuals or otherwise by Franchisor in writing for use in connection with the Licensed Restaurant (the "Computer System"). Franchisor shall designate certain computer software used in the operation of the Licensed Restaurant. Franchisor may require Franchisee to maintain an e-mail account and connect the Computer System to a dedicated telephone line (or other communications medium specified by Franchisor) at all times and be capable of accessing the Internet. Franchisee shall obtain all software and hardware, including digital still and video cameras, as Franchisor may require to enable Franchisee to send and receive e-mail and digital photos and streaming video or other multimedia signals and information to and from the Location, and Franchisee shall, from time to time, upon Franchisor's request transmit digital photos and real time video and audio signals of the Location to, and in the form and manner reasonably required by Franchisor. Franchisee shall purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software as Franchisor may from time to time require. Upon request, Franchisee shall permit Franchisor to access the Computer System and the files stored therein via any means specified, including electronic polling communications.

7.4 Manuals. Franchisee shall participate in the System and operate the Licensed Restaurant in strict compliance with the standard procedures, policies, rules and regulations established by Franchisor and incorporated in the Manuals.

7.4.1 The subject matter of the Manuals may include matters such as: forms, information relating to product and menu specifications, purchase orders, general operations, labor management, Gross Sales reports, training and accounting; sanitation; staff certification, employee grooming standards, nametags and uniforms; display of signs and notices; authorized and required equipment and fixtures, including specifications therefor; Mark usage; insurance requirements; lease requirements; ownership requirements, decor; standards for management and personnel, hours of operation; telephone directory and local advertising formats; standards of maintenance and appearance of the Licensed Restaurant; procedures upon the occurrence of a Crisis Management Event; and required posting of notices to customers as to how to contact the Franchisor to submit complaints and feedback; participation in surveys and mystery shopper programs; and such other matters and policies as Franchisor may reasonably elect to include which relate to the System or the franchise relationship under the System. In the event of the occurrence of a Crisis Management Event, Franchisor may also establish emergency procedures pursuant to which Franchisor may require Franchisee to, among other things, temporarily

close the Licensed Restaurant to the public, in which event Franchisor shall not be liable to Franchisee for any losses or costs, including consequential damages or loss profits occasioned thereby. In the event of any dispute as to the contents of the Manuals, the terms and contents of the master copy maintained by Franchisor shall be controlling.

7.4.2 Franchisor shall have the right to modify the Manuals at any time and from time to time; provided that no such modification shall alter Franchisee's fundamental status and rights under this Agreement. Modifications in the Manuals shall become effective upon delivery of written or electronic notice thereof to Franchisee unless a longer period is specified in such written notice or unless a longer period is set forth in this Agreement. The Manuals, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the Manuals shall be deemed to mean the Manuals kept current by amendments from time to time.

7.4.3 Upon the execution of this Agreement, Franchisor shall furnish to Franchisee one copy of the Manuals, unless Franchisee purchased the Licensed Restaurant from an existing franchisee or Franchisee has entered into this Agreement as a Successor Franchise Agreement. The Manuals and all amendments to the Manuals (and copies thereof) are copyrighted and remain Franchisor's property. They are loaned to Franchisee for the term of the Agreement, and must be returned to Franchisor immediately upon this Agreement's termination or expiration. The Manuals are highly confidential documents which contain certain Trade Secrets of Franchisor. Franchisee shall not make, or cause or allow to be made, any copies, reproductions or excerpts of all or any portion of the Manuals without Franchisor's express prior written consent. Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately return the Manuals to Franchisor. Franchisee's loss or unauthorized transfer of the Manuals or other breach of this Section shall, without limiting the materiality of any other default of this Agreement, constitute a material default of this Agreement.

7.5 Hours. Subject to Applicable Law, operating hours published by the owner of business premises upon which the Licensed Restaurant is located, or subsequent written agreement between Franchisor and Franchisee to the contrary, Franchisor and Franchisee agree that the Licensed Restaurant shall be open and operational 7 days per week, every day of the year (except the holidays stated in the Manuals on which Franchisee is authorized to close the Licensed Restaurant), and at least during the hours established by Franchisor in the Manuals. Franchisee shall diligently and efficiently exercise reasonable efforts to achieve the maximum Gross Sales possible from its Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales. Notwithstanding the foregoing, in Franchisor's discretion, Franchisor may restrict the hours that new Licensed Restaurants may be open (for example, during dinner hours only), and may authorize or direct Franchisee and other franchisees to operate Licensed Restaurants during other hours and on fewer or more days than are specified in the Manuals and this Agreement.

7.6 Product Line and Service. Franchisee shall advertise, sell and serve all and only those Authorized Gyu-Kaku Products which Franchisor has directed to be advertised, sold and served at or from the Licensed Restaurant. All Authorized Gyu-Kaku Products shall be sold and distributed under the specific name designated by Franchisor and shall be purchased, inventoried, stored, prepared and served strictly in accordance with Franchisor's recipes and specifications. Franchisee shall not remove any Authorized Gyu-Kaku Product from the Franchisee's menu without Franchisor's express written approval, nor may Franchisee take any action which is intended to diminish the maximum sales potential of any of the Authorized Gyu-Kaku Products. Franchisee must participate in all required activities to be provided at the Licensed Restaurant (including without limitation birthday celebrations) in the manner authorized by Franchisor in the Manuals or otherwise in writing. Except as specifically authorized by Franchisor, Franchisee shall not sell any Authorized Gyu-Kaku Products outside of the Licensed Restaurant or to any customer for the purpose of catering, "take out," or resale by the customer. All sales by Franchisee shall be for retail consumption only at the Location; provided however that retail customers may take with them away from the Location uneaten portions of their meals.

7.7 Utensils, Fixtures and Other Goods. All tableware, flatware, utensils, glasses, menus and other like articles used in connection with the Licensed Restaurant shall conform to Franchisor's specifications, shall be imprinted with the Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from a distributor or manufacturer approved in writing by Franchisor, as provided in Article 9 of this Agreement, which approval will not be unreasonably withheld. No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, equipment or utensils shall be used in or upon any Restaurant unless the same shall have been first submitted to and approved in writing by Franchisor.

7.8 Menus.

7.8.1 Authorized Gyu-Kaku Products shall be marketed by approved menu formats to be utilized in the Licensed Restaurant. The approved and authorized menu and menu format(s) may include, in Franchisor's discretion, requirements concerning organization, graphics, product descriptions, illustrations, and any other matters related to the menu, whether or not similar to those listed. In Franchisor's discretion, the menu and/or menu format(s) may vary depending upon region, market size, and other factors. Franchisor may change the menu and/or menu format(s) from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or Restaurants within regions. Franchisee shall have 10 days to implement all such changes to the menu. To protect and maintain the integrity, reputation and goodwill of the System and the Marks, Franchisor requires that Franchisee complies with the methodology Franchisor prescribes in providing Authorized Gyu-Kaku Products to customers. Franchisor may (i) recommend prices for Authorized Gyu-Kaku Products, (ii) recommend different menu pricing groups from which Franchisee can choose, (iii) to the extent permitted by federal and state law applicable to the Licensed Restaurant, set maximum or minimum retail prices for Gyu-Kaku Products and other menu items, and (iv) restrict Franchisee's advertising of prices that are inconsistent with Franchisor's recommended prices.

7.8.2 Franchisee shall, upon receipt of notice from Franchisor, add, delete, or update any Authorized Gyu-Kaku Products to its menu according to the instructions contained in the notice. Franchisee shall have 10 days after receipt of written notice in which to fully implement any such change. Franchisee shall cease selling any previously approved product within 10 days after receipt of notice that the product is no longer approved. Franchisor may instruct Franchisee to remove any item from the menu on an emergency basis and Franchisee must comply with such instruction immediately. Franchisor shall not be liable to Franchisee for any losses sustained by Franchisee in connection with such instruction (or Franchisee's failure to comply with such instruction).

7.8.3 The ingredients, composition, specifications, and preparation of all food products sold by Franchisee shall strictly comply with the methods, standards and specifications, instructions and other requirements communicated by Franchisor or contained in the Manuals and as Franchisor may otherwise prescribe in writing from time to time. Under no circumstances may Franchisee modify the ingredients, composition, specifications, and preparation of food products sold by Franchisee at the Licensed Restaurant.

7.8.4 Franchisee is entitled to request that Franchisor approve additional menu items, including food, beverage and merchandise, to be offered at the Licensed Restaurant. Franchisee shall request, in writing, that Franchisor approve such additional menu items and the Supplier of such items (including special promotion requests) at least 30 days before the date Franchisee wishes to offer such additional menu items or special promotions. Upon receiving the written request, Franchisor shall evaluate the suggested menu items and the Supplier of such items pursuant to the policies and procedures detailed in the Manuals to determine, in its sole discretion, whether Franchisee shall be permitted to offer such items at the Licensed Restaurant. Upon receiving written approval by Franchisor, Franchisee may offer such additional menu items, subject to any conditions and/or limitations imposed by Franchisor.

7.9 Notification of Legal Proceedings; and Crisis Management Events.

7.9.1 Franchisee shall 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 Licensed Restaurant or that may adversely affect Franchisee's operation of the Licensed Restaurant or ability to meet its obligations hereunder.

7.9.2 Upon the occurrence of a Crisis Management Event, Franchisee shall immediately inform Franchisor's President (or as otherwise instructed in the Manuals) by telephone and email (or other electronic messaging medium authorized by Franchisor for this purpose). Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event.

7.10 Signs. Franchisee shall maintain approved signs and/or awnings at, on, or near the front of the Premises, identifying the Location as a Restaurant, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Location, subject only to

restrictions imposed by Applicable Law. On receipt of notice by Franchisor of a requirement to alter any existing sign on its premises, Franchisee will at its cost make the required changes within 60 days, subject to the approval of the landlord if required by Franchisee's Lease.

7.11 Uniforms and Employee Appearance. Franchisee shall cause all employees, while working in the Licensed Restaurant, to: (i) wear uniforms of such color, design, and other specifications, and name tags, as Franchisor may designate from time to time, and (ii) present a neat and clean appearance. If Franchisor removes the type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have 60 days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform. Unless Franchisor otherwise consents in writing, Franchisee's employees working in the Licensed Restaurant shall be dedicated solely to the Licensed Restaurant and shall not work at any other business owned or operated by Franchisee. In no case shall Franchisee permit any employee of Franchisee to wear the required uniform except while working at the Licensed Restaurant; without limiting the generality of the foregoing, the uniform may not be worn off Premises for any other purpose (other than while commuting to and from work at the Licensed Restaurant and at trade shows or other promotional events officially sanctioned by Franchisor).

7.12 Vending or Other Machines. Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Location.

7.13 Co-Branding. Franchisee may not engage in any co-branding in or in connection with the Licensed Restaurant except with Franchisor's prior written consent. Franchisor shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within Restaurants. "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 the Premises or is adjacent to the Premises and operated in a manner which is likely to cause the public to perceive it to be related to the Restaurant licensed and franchised hereunder. An example would be an independent ice cream store or counter installed within the Premises.

7.14 Intranet.

7.14.1 Franchisor may, at its option, establish and maintain an Intranet through which franchisees of Franchisor may communicate with each other, and through which Franchisor and Franchisee may communicate with each other and through which Franchisor may disseminate the Manuals, updates thereto and other confidential information. Franchisor shall have discretion and control over all aspects of the Intranet, including the content and functionality thereof. Franchisor will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Franchisee.

7.14.2 Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other things, (a) the use of abusive, slanderous or otherwise offensive language in electronic communications, (b) communications between or among franchisees that endorse or encourage Default of any franchisee's franchise agreement, or other agreement with Franchisor or its Affiliates, (c) confidential treatment of materials that Franchisor transmits via the Intranet, (d) password protocols and other security precautions, including limitations on the number and types of employees that may be granted access to the Intranet, (e) grounds and procedures for Franchisor's suspending or revoking a franchisee's access to the Intranet, and (f) 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 Intranet, Franchisor can technically access and view any communication that any person posts on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

7.14.3 Franchisee shall establish and continually maintain (during all times that the Intranet shall be established and until the transfer, termination or expiration of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows Franchisor to send messages to and receive messages from Franchisee, subject to the standards and specifications.

7.14.4 At Franchisor's request, Franchisee shall contribute a reasonable amount toward the cost of the Intranet's maintenance, as imposed from time to time by Franchisor. Such contribution shall be established by Franchisor by not later than January 31 of each applicable year and shall be payable 30 days thereafter.

7.14.5 If Franchisee shall default under this Agreement or any other agreement with Franchisor or its Affiliate, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee, and in which case Franchisor shall only be required to provide Franchisee a paper copy of the Manuals and any updates thereto, if none have been previously provided to Franchisee, unless not otherwise entitled to the Manuals.

7.14.6 If Franchisor has enabled the Intranet to facilitate Franchisee ordering goods and products from Franchisor and other vendors, then to the maximum extent possible, Franchisee shall order and purchase through the Intranet all good and products available for purchase through the Intranet.

7.14.7 All electronic communications relating to, or otherwise involving or affecting, the Licensed Restaurant shall be performed and effectuated through Franchisor's Intranet, except as otherwise directed from time to time by Franchisor in writing.

7.15 Franchise Advisory Council. Franchisor may, at its option, establish a franchise advisory council (the "FAC"), which shall be composed of certain 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) shall, at its own expense, participate as a member of the FAC. If Franchisee is an Entity and is appointed or elected to the FAC, Franchisor may require an executive officer or member of Franchisee's board of directors (or similar governing body) to be Franchisee's representative to 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 reasonable FAC 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 shall 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 its financial obligations to Franchisor, and Franchisee's landlord, Suppliers and vendors.

ARTICLE 8 ADVERTISING AND CO-OPS

8.1 Local Advertising and Promotion. Franchisee shall expend a reasonable amount that both parties agree is appropriate on the local advertising and promotion of the Licensed Restaurant ("**Local Advertising Expenditure**"). Franchisee shall deliver evidence of the Local Advertising Expenditures on the form and manner prescribed by Franchisor from time to time. Upon the request of Franchisor, Franchisee shall provide an advertising plan which details the local advertising to be conducted over a 12 month period. Franchisor hereby reserves the right to reject all or part of such plan and Franchisee shall revise such plan in response thereto. Without limiting the foregoing, Franchisee shall conduct all local advertising and promotion in accordance with such policies and provisions with respect to format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by Franchisor, and shall not use or publish any advertising material except in accordance with said policies and provisions and with Franchisor's prior written approval. Franchisee's use or display of the Marks, and each of them, must at all times be in accordance with Franchisor's policies and provisions and with Franchisor's prior written approval. Unless Franchisor shall give its express written consent, Franchisee shall not use the Local Advertising Expenditure for market wide research, seminars, entertainment, fees paid to consultants not approved by Franchisor, incentive programs, charitable contributions (unless such contributions provide advertising or marketing exposure for the Licensed Restaurant), press parties, or specialty items (unless part of a market-wide program approved by Franchisor and the cost of the same is not recovered by promotion).

8.2 Co-op Advertising. Franchisor may from time to time establish regions for co-operative advertising ("Co-op Advertising Regions"), to coordinate advertising, marketing efforts and programs and maximizing the efficient use of local and/or regional advertising media.

8.2.1 If and when Franchisor creates a Co-op Advertising Region for the region in which the Restaurant operated hereunder is located, Franchisee (and, if Franchisor or an Affiliate of Franchisor owns a Restaurant in such Co-op Advertising Region, then Franchisor or such Affiliate of Franchisor), shall become a subscriber and member thereof and shall execute and participate in accordance with the Subscription Agreement and the Certificate of Incorporation and Bylaws of such Co-op Advertising Region on the forms prescribed by Franchisor. The size and content of such regions, when and if established by the Franchisor, shall be binding upon Franchisee, and all other similarly situated franchisees of the System and Franchisor or such Affiliate of Franchisor, if it operates Restaurant(s) in the region. At all meetings of such Co-op Advertising Region each participating Franchisee, as well as Franchisor (or such Affiliate), if applicable, shall be entitled to one vote for each Restaurant located within such Co-op Advertising Region or such other vote as may reasonably be determined by Franchisor.

8.2.2 Franchisee and every other member of the Co-op Advertising Region whose agreements require their participation will contribute to the Co-op Advertising Region such amount as may be determined by the affirmative vote or consent of not less than a majority of the voting power of the Co-op Advertising Region. Franchisee's contribution to the Co-op Advertising Region shall be applied as a credit towards the satisfaction of the Local Advertising Expenditure as required in Section 8.1 of this Agreement.

8.2.3 Subject to Section 8.2.1 of this Agreement, each Co-op Advertising Region will decide as to the usage of funds available to it for media time, production of media materials, whether for radio, television, newspapers or Restaurant level materials such as flyers, or posters, or for any other type of advertising or marketing use, and then such Co-op Advertising Region shall in writing request approval from Franchisor to use said funds in said manner. Franchisor shall not withhold approval unreasonably, but no placement of advertising or commitment of advertising funds on behalf of a Co-op Advertising Region will be made without Franchisor's prior written approval. The proposed use of advertising funds collected by the Co-op Advertising Regions will be completely disclosed to all Franchisee-subscribers and not used without the acknowledgement and agreement of a majority of them. Franchisor reserves the right to establish other general standards concerning the operation of the Co-op Advertising Region, advertising agencies retained by Co-op Advertising Region, and advertising programs conducted by Co-op Advertising Region. Any disputes (other than pricing) arising among or between Franchisee, other franchisees, and/or the Co-op Advertising Region may be resolved by Franchisor whose decision shall be final and binding on all parties. No Co-op Advertising Region may appoint or pay from the funds collected by the Co-op Advertising Region fees or costs of any advertising agency or buying group without the prior written permission of Franchisor.

8.3 Brand Development Fund.

8.3.1 In accordance with Section 4.3 of this Agreement, Franchisee's Advertising Fee shall be applied to the Brand Development Fund. Subject to Sections 8.3.2 and 8.3.5 of this Agreement, an amount equal to all Brand Development Fund revenues and allocations will be expended for national, regional, or local advertising, public relations or promotional campaigns or programs designed to promote and enhance the image, identity or patronage of franchised, and Franchisor-owned (including Affiliate-owned) Restaurants. Such expenditures may include: (a) creative development, production and placement of print advertisements, commercials, musical jingles, decals, radio spots, audio advertising, point of purchase materials, direct mail pieces, literature, outdoor advertising, door hangers, electronic media advertisements, and other advertising and promotional material; (b) creative development, preparation, production and placement of video, audio and written materials and electronic media, (c) to purchase artwork and other components for advertising; (d) media placement and buying, including all associated expenses and fees; (e) administering regional and multi-regional marketing and advertising programs; (f) market research, marketing studies and customer satisfaction surveys, including the use of secret shoppers; (g) development and production of, and, to the extent applicable, acquisition of, premium items, giveaways, promotions, contests, public relations events, and charitable or nonprofit events; (h) creative development of signage, posters, and individual décor items including wall graphics; (i) recognition and awards events and programs; (j) system recognition events, including periodic national and regional conventions and meetings; (k) website, extranet and/or Intranet development, implementation and maintenance; (l) development, implementation and maintenance of a website that permits electronic commerce, reservation system and/or related strategies; (m) retention and payment of advertising and promotional agencies and other

outside advisors, including retainer and management fees; (n) public relations and community involvement activities and programs; (o) expenditures for activities conducted for the benefit of co-branding, or other arrangements where GYU-KAKU Brand Products and/or services are offered in conjunction with other marks or through alternative channels of distribution; (p) development, amendment and revisions to the standards, policies and procedures set forth in the Manuals; and (q) payment to Franchisor or its Affiliates, for internal expenses incurred in connection with the administration of the Brand Development Fund.

8.3.2 Franchisor may employ individuals, consultants or advertising or other agencies, including consultants or agencies owned by, operated by or affiliated with Franchisor, to provide services for the Brand Development Fund. The Brand Development Fund may be used to defray direct expenses of Franchisor employees related to the operation of the Brand Development Fund, to pay for legal fees and other costs related to the defense of claims against the Brand Development Fund or against Franchisor relating to the Brand Development Fund, and to pay costs with respect to collecting amounts due to the Brand Development Fund.

8.3.3 Franchisor shall determine, in its discretion, the cost, media, content, format, style, timing, allocation and all other matters relating to such advertising, public relations and promotional campaigns. Nothing herein shall be construed to require Franchisor to allocate or expend Brand Development Fund contributions or allocations so as to benefit any particular franchisee, Franchisee or group of franchisees or franchisees on a pro rata or proportional basis or otherwise. Except as directed in writing by Franchisor, Franchisee must participate in all advertising, marketing, promotions, research and public relations programs instituted by the Brand Development Fund. Franchisor may make copies of advertising materials available to Franchisee with or without additional reasonable charge, as determined by Franchisor. Any additional advertising shall be at the sole cost and expense of Franchisee. The Brand Development Fund shall, as available, provide to Franchisee marketing, advertising and promotional formats and sample materials at the Brand Development Fund's direct cost of producing such items, plus shipping and handling. Franchisor (or its Affiliate) may collect rebates and credits from suppliers based on purchases or sales by Franchisee and, at Franchisor's discretion, may either refund such amounts to Franchisee or contribute such amounts to the Brand Development Fund, notwithstanding any designation by the supplier or otherwise. Any such contribution of such rebates or credits to the Brand Development Fund shall not reduce Franchisee's obligation to pay the Advertising Fee. Franchisor may include information regarding acquiring a franchise on or as a part of materials and items produced by or for the Brand Development Fund.

8.3.4 Franchisor shall either (i) transfer the Advertising Fees to a separate Entity to whom Franchisor has assigned or delegated the responsibility to operate and maintain the Brand Development Fund, or (ii) administratively segregate on its books and records all Advertising Fees received from Franchisee and all other franchisees of Franchisor. Nothing herein shall be deemed to create a trust fund, and Franchisor may commingle advertising fees with its general operating funds and expend such sums in the manner herein provided. For each Restaurant that Franchisor or any of its Affiliates operates, Franchisor or such Affiliate will similarly allocate to the Brand Development Fund the amount that would be required to be contributed to the Brand Development Fund if it were a licensed Restaurant.

8.3.5 If less than the total of all contributions and allocations to the Brand Development Fund are expended during any fiscal year, such excess may be accumulated for use during subsequent years. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions to the Brand Development Fund in that year and may cause the Brand Development Fund to borrow funds to cover deficits or invest surplus funds. If Franchisor (or an Affiliate) advances money to the Brand Development Fund, it will be entitled to be reimbursed for such advances. Any interest earned on monies held in the Brand Development Fund may be retained by Franchisor for its own use in its discretion. Within 60 days following each fiscal year, Franchisor shall prepare a statement of contributions and expenditures for the Brand Development Fund and, upon Franchisee's written request, Franchisor shall provide such information to Franchisee.

8.4 Telephone Lines, Telephone Numbers and Directory Advertising. Franchisor may reasonably require a minimum number of telephone lines to service the Licensed Restaurant. In addition to the Advertising Fees and Franchisees required expenditures under Section 8.1, Franchisee shall, at its sole expense, subscribe for and maintain throughout the Term, one or more listed telephone numbers which shall be listed in the white pages and under such headings in the yellow pages of such telephone directory or directories as Franchisor may reasonably designate or approve which service the Territory and adjacent or nearby areas. Franchisor reserves the right to establish general standards concerning directory and other types of advertising.

8.5 Promotional Programs. From time to time during the term hereof, Franchisor shall have the right to establish and conduct promotional programs on a national or regional or individual Licensed Restaurant basis, which may by way of illustration and not limitation promote particular products or marketing themes, set up promotional contests or promote customer loyalty through rewards programs set up in social media or otherwise, and Franchisee is required to participate in all such promotional and customer loyalty programs. Details regarding such promotional and customer loyalty programs will be set forth in the Manuals. Franchisee and each Co-op Advertising Region agree to participate in such promotional campaigns upon such terms and conditions as the Franchisor may establish. Franchisee acknowledges and agrees that such participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional material (unless provided at no charge through the Brand Development Fund). Franchisee's costs in participating in the promotional campaigns can be used as credit towards the satisfaction of the Local Advertising Expenditure as required in Section 8.1 of this Agreement.

8.6 Internet.

8.6.1 Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, website, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time.

8.6.2 Franchisor has established one or more Internet web sites. Franchisor shall have discretion over the design, content and functionality of such web sites. Franchisor may include one or more interior pages that identify restaurants operated under the Marks, including the Licensed Restaurant, by among other things, geographic region, address, telephone number(s), and menu items. Such web-site(s) may also include one or more interior pages dedicated to the sale of franchises by Franchisor and/or relations with Franchisor's or its Affiliate's investors. Franchisor may permit Franchisee to periodically select from Franchisor's designated alternative design elements for an interior page (or portion thereof) dedicated to the Licensed Restaurant. Such designated alternative design elements may change from time to time. Franchisor will implement any such designated design elements or changes promptly, subject to Franchisor's business needs and scheduling availability. Franchisor may disable or terminate such website(s), in whole or in part, without Franchisor having any liability to Franchisee.

8.6.3 Franchisee acknowledges and agrees that Franchisor (or its Affiliate) is the owner of, and will retain all right, title and interest in and to (i) the domain name "gyu-kaku.com"; (ii) the URL: "www.gyu-kaku.com"; all existing and future domain names, URLs, future addresses and subaddresses using the Marks in any manner; (iii) all computer programs and computer code (e.g., HTML, XML DHTML, Java) used for or on the Franchisor's web site(s), excluding any software owned by third parties; (iv) all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through Franchisor's web site(s); and (iv) all intellectual property rights in or to any of the foregoing.

ARTICLE 9 DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS

9.1 GYU-KAKU Brand Products. At all times throughout the Term, Franchisee shall purchase and maintain in inventory such types and quantities of GYU-KAKU Brand Products and other necessary supplies as are needed to meet reasonably anticipated consumer demand. Franchisee shall purchase GYU-KAKU Brand Products either from Franchisor, its designees or other vendors with Franchisor's prior written approval.

9.2 Proprietary Products. Franchisor may, from time to time throughout the Term, require that Franchisee purchase, use, offer and/or promote, and maintain in stock at the Licensed Restaurant (i) in such quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary products, sauces, marinades, beverages, food products and other ingredients and raw materials, which are grown, produced or manufactured in accordance with the Trade Secrets, proprietary recipes, specifications and/or formulas or which Franchisor designates as "proprietary," and (ii) certain packaging, POS System(s), computer hardware, software,

modems and peripheral equipment or other products, supplies, services and equipment designated by Franchisor as "proprietary" ("Proprietary Products"). Franchisee shall purchase Proprietary Products only from Franchisor or its Affiliates, or other vendors (but only with Franchisor's prior written approval). Franchisor shall not be obligated to reveal such Trade Secrets, recipes, specifications and/or formulas of such Proprietary Products to Franchisee, non-designated suppliers, or any other third parties.

9.3 Non-Proprietary Products. Franchisor may designate certain food products (including specifically but without limitation, types of rice), condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS System(s), computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Proprietary Products, which Franchisee may or must use and/or offer and sell at the Licensed Restaurant ("Non-Proprietary Products"). Franchisee may, but shall not be obligated to, purchase such Non-Proprietary Products from Franchisor or its Affiliate, if Franchisor or such Affiliate, supply the same. Franchisee may use, offer or sell only such Non-Proprietary Products that Franchisor has expressly authorized, and that are purchased or obtained from Franchisor or a producer, manufacturer, distributor, supplier or service provider ("Supplier") designated or approved by Franchisor pursuant to Section 9.3.2 of this Agreement.

9.3.1 Franchisee may purchase authorized Non-Proprietary Products from (i) Franchisor or its Affiliates (if they sell the same); (ii) Suppliers designated by Franchisor; or (iii) Suppliers selected by Franchisee and approved in writing by Franchisor prior to Franchisee making such purchase(s). Each such Supplier designated or approved by Franchisor must comply with Franchisor's usual and customary requirements regarding insurance, indemnification, and non-disclosure, and shall have demonstrated to the reasonable satisfaction of Franchisor: (a) its ability to supply a Non-Proprietary Product meeting the specifications of Franchisor, which may include specifications as to brand name, model, contents, manner of preparation, ingredients, quality, freshness and compliance with governmental standards and regulations and all Applicable Laws; (b) its reliability with respect to delivery and the consistent quality of its products or services; and (c) its ability to meet such other requirements as determined by Franchisor to be in the best interest of the System.

9.3.2 If Franchisee should desire to procure authorized Non-Proprietary Products from a Supplier other than Franchisor or one previously approved or designated by Franchisor (and not subsequently disapproved), Franchisee shall deliver written notice to Franchisor of its desire to seek approval of such Supplier, which notice shall (a) identify the name and address of such Supplier, (b) contain such information as may be requested by Franchisor or required to be provided pursuant to the Manuals (which may include reasonable financial, operational and economic information regarding its business and its product), and (c) identify the authorized Non-Proprietary Products desired to be purchased from such Supplier. Franchisor shall, upon request of Franchisee, furnish to Franchisee the general, but not manufacturing, specifications for such Non-Proprietary Products if such are not contained in the Manuals. The Franchisor may thereupon request that the proposed Supplier furnish Franchisor at no cost to Franchisor, product samples, specifications and such other information as Franchisor may require. Franchisor or its representatives, including qualified third parties, shall also be permitted to inspect the facilities of the proposed Supplier and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other Restaurants.

9.3.3 Franchisor will use its good faith efforts to notify Franchisee of its decision within 60 days after Franchisor's receipt of Franchisee's request for approval and other requested information and items in full compliance with this Section 9.3; should Franchisor not deliver to Franchisee, within 60 days after it has received such notice and all information and other items requested by Franchisor in order to evaluate the proposed Supplier, a written statement of approval with respect to such Supplier, such Supplier shall be deemed disapproved as a Supplier of the authorized Non-Proprietary Products described in such notice. Nothing in this article shall require Franchisor to approve any Supplier, and without limiting Franchisor's right to approve or disapprove a Supplier in its discretion, Franchisee acknowledges that it is generally disadvantageous to the system from a cost and service basis to have more than one Supplier in any given market area and that among the other factors Franchisor may consider in deciding whether to approve a proposed Supplier, it may consider the effect that such approval may have on the ability of Franchisor and its Franchisees to obtain the lowest distribution costs and on the quality and uniformity of products offered system-wide. Without limiting the foregoing, Franchisor may disapprove a proposed Supplier, if in Franchisor's opinion; the approval of the proposed Supplier would disrupt or adversely impact Franchisor's national or regional distributional arrangements. Franchisor may also determine that certain Non-Proprietary Products (e.g. beverages) shall be limited to a designated brand or brands set by Franchisor. Franchisor may revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's criteria. Franchisee agrees that at such times that Franchisor establishes a regional purchasing

program for any of the raw materials used in the preparation of Authorized Gyu-Kaku Products or other Non-Proprietary Products used in the operation of the Licensed Restaurant, which may benefit Franchisee by reduced price, lower labor costs, production of improved products, increased reliability in supply, improved distribution, raw material cost control (establishment of consistent pricing for reasonable periods to avoid market fluctuations), improved operations by Franchisee or other tangible benefits to Franchisee, Franchisee will participate in such purchasing program in accordance with the terms of such program.

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

9.3.5 Franchisee or the proposed Supplier shall pay to Franchisor in advance (or upon Franchisor's request, reimburse Franchisor for) all of Franchisor's reasonably anticipated costs in reviewing the application of the Supplier to service the Franchisee and all current and future reasonable costs and expenses, including travel and living costs, related to inspecting, re-inspecting and auditing the Suppliers' facilities, equipment, and food products, and all product testing costs paid by Franchisor to third parties.

9.3.6 Franchisee shall at all times remain current and fully comply and perform each of its obligations to its landlord, vendors and Suppliers.

9.4 Purchases from Franchisor.

9.4.1 All goods, products, and supplies purchased from Franchisor shall be purchased in accordance with the purchase order format issued from time to time by Franchisor, the current form of which shall be set forth in the Manuals. Franchisor may change the prices, delivery terms and other terms relating to its sale of goods, services, products and supplies ("Goods and Services") to Franchisee on prior written notice, provided, that such prices shall be the same as the prices charged to similarly situated Franchisees (excluding shipping, transportation, warehousing, insurance and related costs and expenses) and which shall be reasonable based upon the costs associated with such Goods and Services. Franchisor in its discretion, may discontinue the sale of any Goods or Services at any time if in Franchisor's judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. All product orders by Franchisee shall be subject to acceptance by Franchisor at Franchisor's designated offices, and Franchisor reserves the right to accept or reject, in whole or in part, any order placed by Franchisee. Franchisee shall submit to Franchisor, upon written request, financial statements which contain sufficient information to enable Franchisor to determine the credit limits, if any, to be extended to Franchisee. Franchisor, in its sole discretion, may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis.

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

9.4.3 Franchisor shall not be liable to Franchisee on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by Force Majeure or other events or circumstances beyond Franchisor's reasonable control including such events as labor or material shortages, conditions of supply and demand, import/export restrictions, or disruptions in Franchisor's supply sources.

9.4.4 Franchisor may act as a Supplier of goods, services, products, and/or supplies purchased by Franchisee. On the transfer, expiration, non-renewal or termination of this Agreement, or in the event of any default by Franchisee of this Agreement, Franchisor shall not be obliged to fill or ship any orders then pending or made any time thereafter by Franchisee (provided that Franchisor will refund to Franchisee all prepayments for orders not delivered), and Franchisor may notify its approved Suppliers of any impending transfer termination or expiration of this Agreement and may, among other things, instruct such Suppliers to deliver only such quantity of Proprietary Products as is reasonably necessary to supply Franchisee's needs prior to the transfer, expiration or termination date of this Agreement.

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

9.6 Customer Reporting; Comment Cards.

9.6.1 At Franchisor's request, Franchisee shall use reasonable efforts to secure the names, addresses and other information reasonably required by Franchisor, of Franchisee's customers at the Licensed Restaurant and shall allow such information to be used by Franchisor. Franchisor shall indemnify Franchisee from and against any and all losses, costs and liability in connection with misuse by Franchisor of such information. Franchisee may not divulge such customer names, addresses or other information, with or without remuneration, to any third party. Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction.

9.6.2 Franchisee shall use and display in the Licensed Restaurant during all operating hours customer comment and other cards in the manner specified in the Manuals. Franchisee shall, from time to time, purchase from Franchisor or a Supplier, and maintain in the Licensed Restaurant, a supply of postage prepaid customer comment cards reasonably adequate to meet Franchisee's needs.

ARTICLE 10 REPORTS, BOOKS AND RECORDS, INSPECTIONS

10.1 General Reporting. Franchisee shall, as and when specified by Franchisor, submit to Franchisor statistical control forms and such other financial (on an accrual basis), operational and statistical information as Franchisor may require to: (i) assist Franchisee in the operation of the Licensed Restaurant in accordance with the System; (ii) allow Franchisor to monitor the Franchisee's Gross Sales, purchases, costs and expenses; (iii) enable Franchisor to develop chain wide statistics which may improve bulk purchasing; (iv) assist Franchisor in the development of new authorized products or the removal of existing unsuccessful Authorized Gyu-Kaku Products; (v) enable Franchisor to refine existing Authorized Gyu-Kaku Products; (vi) generally improve chain-wide understanding of the System (collectively, the "**Information**"). Without limiting the generality of the foregoing:

10.1.1 Unless otherwise agreed by Franchisor in writing, Franchisee must also submit (i) condensed reports of daily Gross Sales to Franchisor on a daily basis in accordance with the guidelines established by Franchisor and (ii) reports of Franchisee's operational numbers on a weekly basis (due by the 2nd business day of the following week) using the report form entitled "Weekly Summary and Food Cost" which is contained in the Manuals. Franchisee will electronically link the Licensed Restaurant to Franchisor and will allow Franchisor to poll on a daily basis at a time selected by the Franchisor the Licensed Restaurant computerized POS system to retrieve Information including sales, sales mix, usage, and operations data. If Franchisee fails to do so, Franchisee may be required to pay Franchisor a penalty of \$150 to have a supervisor employee of Franchisor complete the report.

10.1.2 On or before the 7th day following each Accounting Period, Franchisee shall submit a Gross Sales report signed by Franchisee, on a form prescribed by Franchisor, reporting all Gross Sales for the preceding Accounting Period, together with such additional financial information as Franchisor may from time to time request (certified by an Operating Principal of Franchisee, to the best of his or her knowledge and belief, to be accurate and complete).

10.1.3 On or before the 3rd Friday (or the next business day if that day is a federal holiday) of each calendar month during the Term hereof, Franchisee must submit to Franchisor (i) a report of Franchisee's operational numbers for the Licensed Restaurant for the previous calendar month using the report form entitled "Operation Report" which is contained in the Manuals and (ii) a balance sheet and profit and loss statement for the previous month, prepared on an accrual basis in the form and manner prescribed by Franchisor in the Manuals (using the same format as balance sheets and profit and loss statements prepared by Franchisor and certified by an Operating Principal of Franchisee, to the best of his or her knowledge and belief, to be accurate and complete.

10.1.4 Within 90 days following the end of each calendar year, Franchisee may be required to submit to Franchisor an unaudited annual financial statement for the Licensed Restaurant, prepared on an accrual basis in accordance with generally accepted accounting principles, and in such form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete. Not later than 110 days after the end of each of its tax years, Franchisee may be required to submit to Franchisor exact copies of the annual tax returns of the franchised business, including federal (these may be the original signed 1120 or 1120S federal tax form or pertinent extracts therefrom relating directly to the Licensed Restaurant (or any other forms which take the place of the 1120 or 1120S forms), state and any local income tax returns, together with a certificate from Franchisee that all Social Security payments, taxes and fees required to be paid by Franchisee to any governmental agency or entity have been paid, and that if Franchisee is a corporation, there is no reason to believe that Franchisee's corporate status has been impaired. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate governmental authority. Franchisor reserves the right to require such further information concerning the Licensed Restaurant as Franchisor may from time to time reasonably request.

10.2 Inspections. Franchisor's authorized representatives shall have the right, from time to time, to enter upon the entire premises of the Licensed Restaurant during business hours, to examine same, conferring with Franchisee's employees, inspecting and checking operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures, and equipment, and determining whether the business is being conducted in accordance with this Agreement, the System and the Manuals. Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Licensed Restaurant. If any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including quality, cleanliness, service, health and authorized product line, Franchisor will notify Franchisee in writing of Franchisee's non-compliance with the Manuals, the System, or this Agreement and Franchisee shall promptly correct or repair such deficiency or unsatisfactory condition. In accordance with Section 7.4, Franchisor may require Franchisee to take and thereafter Franchisee shall take, immediate corrective action, which action may include temporarily closing the Licensed Restaurant.

10.3 Audits. Franchisee shall prepare, and keep for not less than 7 years following the end of each of its fiscal years, or such longer period required under Applicable Law, adequate books and records (financial records must be on an accrual basis) showing daily receipts in, at, and from the Licensed Restaurant, applicable sales tax returns (if any), all pertinent original serially numbered sales slips and cash register records, and such other sales records as may be reasonably required by Franchisor from time to time to verify Gross Sales and purchases reported by Franchisee to Franchisor, in a form suitable for an audit of its records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods, foods and beverages sold, where possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours and upon at least two business days prior notice, audit or review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. Franchisor may also conduct the audit at a site other than the Location and Franchise shall provide all information to Franchisor, its agents or representatives, promptly upon demand (but not later than 5 days following the date of the request). If any audit or other investigation reveals an under-reporting or under-recording error, then upon demand Franchisee shall pay the amount determined to be owed, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of 18% percent per annum. In addition, if an such audit or other investigation reveals an under-reporting or under-recording error of 2% or more, then in addition to any other sums due and in addition to any other rights and remedies it may have, including the right to terminate this Agreement as provided in Article 14, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include Franchisor's travel, lodging, wage expense and reasonable accounting and legal expense. Without limiting the foregoing, if such audit or other investigation reveals an under-reporting or under-recording error of 5% percent or more, Franchisor, in addition to any other rights and remedies it may have, including the right to terminate this Agreement as provided in Article 14, may require Franchisee to

maintain and deliver to Franchisor from time to time, financial statements audited by an independent certified public accountant.

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

ARTICLE 11 TRADEMARKS

11.1 Use of Marks. Subject to Section 11.9 of this Agreement, the Licensed Restaurant shall be named "GYU-KAKU" with only such additional prefix or suffix as may be required by Franchisor from time to time. Franchisee shall use and display such of Franchisor's trade dress, Marks, and such signs, advertising and slogans only as Franchisor may from time to time prescribe or approve. Upon 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, any and all documents necessary in Franchisor's judgment to end and cause the discontinuance of Franchisee's use of the trade dress and Marks and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact so to do. Franchisee shall not imprint or authorize any person to imprint any of the Marks on any product without the express written approval of Franchisor. Franchisee shall not use the Marks in connection with any offering of securities or any request for credit without the prior express written approval of Franchisor. Franchisor may withhold or condition any approval related to the Marks, including those described in this Section, in its discretion. During the Term, Franchisee shall identify the Licensed Restaurant as an independently owned and operated franchise of Franchisor, in the form and manner specified by Franchisor, including on all invoices, order forms, receipts, checks, business cards, on posted notices located the Location and in other media and advertisements as Franchisor may direct from time to time.

11.2 Non-Use of Trade Name. If Franchisee is an Entity, it shall not use the Marks, or Franchisor's trade name, or any words or symbols which are confusingly phonetically or visually similar to the Marks, as all or part of Franchisee's name.

11.3 Use of Other Trademarks. Franchisee shall not display the trademark, service mark, trade name, insignia or logotype of any other person or Entity in connection with the operation of the Licensed Restaurant without the express prior written consent of Franchisor, which consent will not be unreasonably withheld; provided however, in the case of a Non-Traditional Venue, the Premises (but not the Restaurant) may display the trademarks, service marks and other commercial symbols of Franchisee or third parties, in accordance with the terms herein contained.

11.4 Non-ownership of Marks. Nothing herein shall give Franchisee, and Franchisee shall not assert, any right, title or interest in Franchisor's trade dress, or to any of the Marks or the goodwill annexed thereto, except a mere privilege and license during the term hereof, to display and use the same according to the terms and conditions herein contained.

11.5 Defense of Marks. If Franchisee receives notice, or is informed, of any claim, suit or demand against Franchisee on account of any alleged infringement, unfair competition, or similar matter on account of its use of the Marks in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of any such claim, suit or demand. Thereupon, Franchisor shall take such action as it may deem necessary and appropriate to protect and defend Franchisee against any such claim by any third party. Franchisee shall not settle or compromise any such claim by a third party without the prior written consent of Franchisor. Franchisor shall have the sole right to defend, compromise or settle any such claim, in its discretion, at Franchisor's sole cost and expense, using attorneys of its own choosing, and Franchisee shall cooperate fully with Franchisor in connection with the defense of any such claim. Franchisee may participate at its own expense in such defense or settlement, but Franchisor's decisions with regard thereto shall be final.

11.6 Prosecution of Infringers. If Franchisee shall receive notice or is informed or learns that any third party, which it believes to be unauthorized to use the Franchisor's trade dress or Marks, is using Franchisor's trade dress or Marks or any variant thereof, Franchisee shall promptly notify Franchisor of the facts relating to such alleged infringing use. Thereupon, Franchisor shall, in its discretion, determine whether or not it wishes to

take any action against such third person on account of such alleged infringement of the trade dress and/or Marks. Franchisee shall have no right to make any demand against any such alleged infringer or to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of such infringement.

11.7 Modification of Marks. From time to time, in the Manuals or in directives or bulletins supplemental thereto, Franchisor may add to, delete or modify any or all of the Marks and trade dress. Franchisee shall, at its cost and expense, use, or cease using, as may be applicable, the Marks and/or trade dress, including any such modified or additional trade names, trademarks, service marks, logotypes and commercial symbols, in strict accordance with the procedures, policies, rules and regulations contained in the Manuals or in written directives issued by Franchisor to Franchisee, as though they were specifically set forth in this Agreement. Except as Franchisor may otherwise direct, Franchisee shall implement any such change within 60 days after notice thereof by Franchisor, at Franchisee's expense.

11.8 Acts in Derogation of the Marks. Franchisee agrees that Franchisor's trade dress and the Marks are the exclusive property of Franchisor and/or its Affiliates and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed and/or franchised use thereof, or otherwise. Franchisee further agrees that it is familiar with the standards and high quality of the use by Franchisor and others authorized by Franchisor of the trade dress and Marks in the operation of Restaurants, and agrees that Franchisee will maintain this standard in its use of the Marks and trade dress. All use of the Marks and trade dress by Franchisee inures to the benefit of Franchisor. Franchisee shall not contest or assist anyone in contesting at any time during or after the Term, in any manner, the validity of any Mark or its registration, and shall maintain the integrity of the Marks and prevent their dilution. Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Franchisor or its Affiliates in connection with the same, either during the Term of this Agreement or thereafter, and that it will use the Marks and Franchisor's trade dress only for the uses and in the manner licensed and/or franchised hereunder and as herein provided. Without limiting the foregoing, Franchisee shall not (i) interfere in any manner with, or attempt to prohibit, the use of Franchisor's trade dress and/or the Marks by any other franchisee or licensee of Franchisor authorized by Franchisor to use the trade dress and/or Marks; or (ii) divert or attempt to divert any business or any customers of the Licensed Restaurant to any other person or Entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks.

11.9 Assumed Name Registration. If Franchisee is required to do so by Applicable Law, Franchisee shall promptly upon the execution of this Agreement file with applicable Governmental Authorities, a notice of its intent to conduct its business under the name "GYU-KAKU" with only such additional prefix or suffix as may be required by Franchisor from time to time. Promptly upon the transfer, expiration or termination of this Agreement for any reason whatsoever, Franchisee shall promptly execute and file such documents as may be necessary to revoke or terminate such assumed name registration, and if Franchisee shall fail to promptly execute and file such documents as may be necessary to effectively revoke and terminate such assumed name registration, Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to do so for and on behalf of Franchisee.

ARTICLE 12

COVENANTS REGARDING OTHER BUSINESS INTERESTS

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

12.1.1 During the Term, no Restricted Person or Restaurant Manager shall in any capacity, either directly or indirectly, through one or more affiliated Entities, (i) operate or assist in the operation of any Japanese restaurant, (ii) engage in any Competitive Activities at any location, whether within or outside the Territory, unless Franchisor shall consent thereto in writing, or (iii) divert or attempt to divert any business or any customers of the Licensed Restaurant to any other person or Entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks.

12.1.2 To the extent permitted by Applicable Law, upon (i) the transfer, expiration or termination of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cession of any Restricted Person's relationship with Franchisee, each person who was a Restricted Person before such event shall not for a period of 24 months thereafter, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any Japanese restaurant or other business engaged in Competitive Activities within the Territory, or within an area within 10 miles from any existing Restaurant, without the Franchisor's prior written consent. In applying for such consent, Franchisee will have the burden of establishing that any such activity by it will not involve the use of benefits provided under this Agreement or constitute unfair competition with Franchisor or other franchisees or area developers of the Franchisor.

12.2 Trade Secrets.

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

12.2.2 Each Restricted Person shall acquire no interest in the Trade Secrets other than the right to use them in developing and operating the Licensed Restaurant during the Term of this Agreement. A Restricted Person's duplication or use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition. Each Restricted Person shall: (i) not alter, change or misuse any recipe or food presentation required by Franchisor; (ii) not use the Trade Secrets in any business or other endeavor other than in connection with the Licensed Restaurant; (iii) maintain absolute confidentiality of the Trade Secrets during and after the Term of this Agreement; and (iv) make no unauthorized copy of any portion of the Trade Secrets, including the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral. Franchisee shall operate the Restaurant and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use and disclosure of the Trade Secrets, including, implementing restrictions and limitations as Franchisor may prescribe on disclosure to employees and use of non-disclosure and non-competition provisions in employment agreements with employees who may have access to the Trade Secrets. Promptly upon Franchisor's request, Franchisee shall deliver executed copies of such agreements to Franchisor. If Franchisee has any reason to believe that any employee has violated the provisions of the confidentiality and noncompetition agreement, Franchisee shall promptly notify Franchisor and shall cooperate with Franchisor to protect Franchisor against infringement or other unlawful use including, but not limited to, the prosecution of any lawsuits at Franchisor's expense if, in the judgment of Franchisor, such action is necessary or advisable.

12.2.3 In view of the importance of the Marks and the Trade Secrets and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth herein in connection with these matters, the parties agree that each party may seek immediate equitable remedies including, but not limited to, restraining mandatory orders (including specific performance) and/or injunctive relief and any damages incidental thereto from a court of competent jurisdiction to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive jurisdiction of the courts of the State of California and the U.S. federal courts sitting in Los Angeles, California for purposes thereof. The parties agree that venue for any such proceeding shall be the state and federal courts located in Los Angeles, California.

12.3 Confidentiality and Press Releases. Unless disclosure is required by Applicable Law, no public communication, press release or announcement regarding this Agreement, the transactions contemplated hereby

or the operation of the Licensed Restaurant or any Crisis Management Event shall be made by Franchisee without the written approval of Franchisor in advance of such press release announcement, or public communication.

12.4 Interference With Employment Relations.

12.4.1 Without Franchisor's written consent (and in the case of another Gyu-Kaku franchisee, without that franchisee's written consent), during the Term and for a period of 24 months following the termination, expiration or nonrenewal of this Agreement, neither Franchisee, its Owner(s) or their respective Affiliates, officers, directors, or managers, or any of them, shall in any capacity whatsoever, either directly or indirectly, hire, solicit or encourage to leave the employment of Franchisor, any of its Affiliates, any other Gyu-Kaku franchisee or any licensee of Franchisor, any employee of Franchisor or any of its Affiliates or any other Gyu-Kaku franchisee or any licensee of Franchisor (or any person who such persons knew or should have known was an employee of any licensee or franchisee of Franchisor) or hire any such employee who has left the employment of Franchisor or any of its Affiliates or other Gyu-Kaku franchisee or Franchisor's licensee within one year of the termination of such employee's employment with Franchisor or any of its Affiliates or other Gyu-Kaku franchisee or Franchisor's licensee.

12.4.2 Without Franchisee's prior written consent, during the Term and for a period of 24 months following the termination, expiration or nonrenewal of this Agreement, or there shall occur an Assignment, neither Franchisor, its Owner(s) or their respective Affiliates, officers, directors, or managers, or any of them, shall in any capacity whatsoever, either directly or indirectly, hire, solicit or encourage to leave the employment of Franchisee, or any of its Affiliates, any employee of Franchisee or any of its Affiliates (or any person who such persons knew or should have known was an employee of any licensee or franchisee of Franchisee) or hire any such employee who has left the employment of Franchisee or any of its Affiliates (or Franchisee's licensee or franchisee) within one year of the termination of such employee's employment with Franchisee or any of its Affiliates.

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

12.6 Business Practices.

12.6.1 Neither Franchisee nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under any applicable Anti-Terror Legislation.

12.6.2 Neither Franchisee, any of its Owners nor any employee of either of them is named as a "Specially Designated Nationals" or "Blocked Persons" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control. Currently, this list is published under the internet website address "www.treas.gov/offices/enforcement/ofac/sdn/". Franchisee is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Franchisee or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. Franchisee agrees that it will notify Franchisor in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this paragraph incorrect.

12.6.3 Franchisee represents that it understands and has been advised by legal counsel on the requirements of the applicable laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at www.epic.org/privacy/terrorism/hr3162.html), and hereby acknowledges the importance to Franchisor, the System and the parties' relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to Franchisor or any government, that is made part of any Applicable Law. Franchisee shall take all reasonable steps to require its consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

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

ARTICLE 13

NATURE OF INTEREST, ASSIGNMENT

13.1 Assignment by Franchisor. This Agreement is fully transferable by Franchisor, in whole or in part, without the consent of Franchisee and shall inure to the benefit of any transferee or their legal successor to Franchisor's interests herein to the extent that such transferee and successor expressly agrees to assume Franchisor's obligations under this Agreement. Without limiting the foregoing, Franchisor may (i) assign any or all of its rights and obligations under this Agreement to an Affiliate; (ii) sell its assets, its marks, or its System outright to a third party; (iii) engage in a public offering of its securities; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another corporation; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Franchisor shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof). Franchisor shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment.

13.2 Assignment by Franchisee.

13.2.1 The rights and duties created by this Agreement are personal to Franchisee. This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular individual or collective character, reputation, skill attitude, business ability, and financial capacity of Franchisee, or if applicable, it's Owners who will actively and substantially participate in the development ownership and operation of the Licensed Restaurant. Accordingly, except as otherwise may be permitted herein, neither Franchisee nor any Owner (other than Franchisor, if applicable) shall, without Franchisor's prior written consent (which shall not be unreasonably withheld or conditioned), directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage, hypothecate, or otherwise encumber, in whole or in part, any direct or indirect interest in this Agreement or all or any substantial portion of the assets of the Licensed Restaurant (except as consented to by Franchisor, which consent will not be unreasonably withheld, in connection with *bona fide* borrowing by Franchisee from a lender in which assets of the Licensed Restaurant are pledged as security for repayment of the loan), in whole or in part, voluntarily or involuntarily, other than the sale of Authorized Gyu-Kaku Products in the ordinary course (an "Assignment"). Any such purported Assignment occurring by operation of law or otherwise without Franchisor's prior written consent shall constitute a default of this Agreement by Franchisee, and shall be null and void. Except in the instance of Franchisee advertising to sell the Licensed Restaurant and assign this Agreement in accordance with the terms hereof, Franchisee shall not, without Franchisor's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior decor items, supplies, fixtures, equipment, Franchisee's Lease or the real or personal property used in connection with the Licensed Restaurant. Franchisee may not make any Assignment to a public Entity, or to any Entity whose direct or indirect parent's securities are publicly traded and no shares of Franchisee or any Owner of Franchisee may be offered for sale through the public offering of securities. To the extent that any prohibition on the pledge, hypothecation, encumbrance or granting of a security interest in this Agreement or the assets of the Licensed Restaurant may be ineffective under Applicable Law, Franchisee shall provide not less than 10 days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, hypothecation, encumbrance or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement or the assets of the Licensed Restaurant.

13.2.2 If Franchisee is an Entity, each of the following shall be deemed to be an Assignment of this Agreement: (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than 50% in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Franchisee; (ii) the issuance of any securities by Franchisee which itself or in combination with any other transaction(s) results in its Owners, as constituted on the Effective Date, owning less than 51% of the outstanding Equity or voting power of Franchisee; (iii) if Franchisee is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than 50% of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the

ownership or control of any general partner; (iv) the death or legal incapacity of any Owner of Franchisee owning more than 50% of the Equity or voting power of Franchisee; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected. If Franchisee is an Entity, Franchisee shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment".

13.2.3 Prior to any Assignment by Franchisee, Franchisee must notify Franchisor of Franchisee's intent to sell, transfer or assign the Franchise, all or substantially all of the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business. The notice shall be in writing, delivered to Franchisor in accordance with section 19.1 hereof and include all of the following:

- (a) The proposed transferee's name and address;
- (b) 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
- (c) The proposed transferee's application for approval to become the successor franchisee. The application must include all forms, financial disclosures and related information generally utilized 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 19.1 hereof within 15 calendar days. As soon as practicable after the receipt of the proposed transferee's application, Franchisor will notify, in writing, Franchisee and the proposed transferee 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 of 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.

13.2.4 Within 60 days after the receipt of all of the necessary information and documentation required pursuant to section 13.2.3 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 19.1 hereof. Should Franchisor elect not to exercise Franchisor's right of first refusal, or should such right of first refusal be inapplicable, as herein provided, Franchisor's consent to 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 shall include in the notice of disapproval a statement setting forth the reasons for the disapproval. Franchisor will not unreasonably withhold its consent to any Assignment which is subject to the restrictions of this Article, provided however, Franchisor may impose any reasonable condition to the granting of its consent, and requiring Franchisee to satisfy any or all of the following conditions shall be deemed reasonable:

- (a) Franchisee's written request for Franchisor's consent to Assignment must be accompanied by a detailed description of the price and all material terms and conditions of the proposed Assignment and the identity of the proposed assignee and such other information as Franchisor may reasonably request;
- (b) Franchisor's receipt of an estoppel agreement indicating any and all causes of action, if any, that Franchisee may have against Franchisor or if none exist, so stating, and a list of all Owners having an interest in this Agreement or in Franchisee, the percentage interest of Owner, and a list of all officers and directors, in such form as Franchisor may require;
- (c) If the Assignment involves a transfer of the Franchise of 100% of the equity ownership of the Franchisee entity, Franchisee's written request for consent to any Assignment must be accompanied by an offer to Franchisor of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party; provided that Franchisor may substitute

cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Franchisor reasonably and in good faith as the approximate equivalent value of said non-cash consideration); and provided further that Franchisee shall make representations and warranties to Franchisor customary for transactions of the type proposed (the "Purchase Option"). If Franchisor elects to exercise the Purchase Option, Franchisor or its nominee, as applicable, shall send written notice of such election to Franchisee within 30 days of receipt of Franchisee's request (which must include all relevant details of the proposed Assignment). If Franchisor accepts such offer, the training and transfer/administrative fees due by Franchisee in accordance with this Agreement shall be waived by Franchisor, and the closing of the transaction shall occur within 60 days following the date of Franchisor's acceptance. Any material change in the terms of an offer prior to closing (or the failure to close the transaction within 60 days following the rejection by Franchisor) shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third-party designee, as in the case of the initial offer. Franchisor's failure to exercise such option shall not constitute consent to the transfer or a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer. Without waiving any other rights provided for herein or otherwise, Franchisor hereby waives its Purchase if the proposed transferee/assignee is an immediate family member of Franchisee or immediate family member of a Principal Equity Owner or in connection with estate or tax planning;

(d) The Franchisee shall not be in default under the terms of this Agreement (or any other related agreement), the Manuals or any other obligations owed Franchisor, and all of its then-due monetary obligations to Franchisor shall have been paid in full;

(e) The Franchisee, and its Owners, if the Franchisee is an Entity, shall execute a general release under seal, in a form prescribed by Franchisor, of any and all claims against Franchisor, its Affiliates, Owner(s), directors, officers, agents and employees;

(f) The transferee/assignee shall have demonstrated to Franchisor's satisfaction that it meets all of Franchisor's then-current requirements for new Restaurant operators or for holders of an interest in a franchise or license, including possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, the ability to obtain or acquire the license(s) and permit(s) necessary for the sale of alcoholic beverages, and the ability to fully comply with the terms of this Agreement;

(g) The transferee/assignee shall have either (i) assumed this Agreement by a written assumption agreement approved by Franchisor, or has agreed to do so at closing, and at closing executes an assumption agreement approved by Franchisor; or (ii) at Franchisor's option, shall have executed a replacement franchise agreement on the then-current standard form of franchise agreement used by Franchisor in the State in which the Licensed Restaurant is being operated, provided, however, that the term of replacement franchise agreement shall be the remaining term of this Agreement;

(h) The assignee shall agree to refurbish the Licensed Restaurant as needed (in Franchisor's discretion) to match the building design, trade dress, color scheme and presentation then used by Franchisor within the 12 month period preceding the assignment for its (or its Affiliates') Restaurants (such refurbishment may include remodeling, redecoration and modifications to existing improvements);

(i) There shall not be any suit, action, or proceeding pending, or to the knowledge of Franchisee any suit, action, or proceeding threatened, against Franchisee with respect to the Licensed Restaurant;

(j) Upon submission of Franchisee's request for Franchisor's consent to any proposed transfer or assignment, Franchisee shall pay to Franchisor an administrative/transfer fee of \$10,000 (which becomes non-refundable upon Franchisor's consent to the assignment). Notwithstanding the foregoing sentence, if the transferee/assignee is: (i) a member of Franchisee's immediate family; (ii) a current franchisee in good standing of 3 or more years; or (iii) an employee of a franchised Restaurant or Franchisor owned Restaurant of 5 or more years, the transfer fee shall be reduced to \$2,000; and

(k) The transferee/assignee, its manager and other employees responsible for the operation of the Licensed Restaurant shall have satisfactorily completed Franchisor's Initial Training Program and paid all fees related thereto.

13.2.5 Franchisor's consent to an Assignment shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise, including (i) any payment or other duty owed by Franchisee to Franchisor under this Agreement before such Assignment; or (ii) Franchisee's duty of indemnification and defense as set forth in Section 17.2 of this Agreement, whether before or after such Assignment, or (iii) the obligation to obtain Franchisor's consent to any subsequent transfer.

13.3 Entity Franchisee. If a Franchisee is an Entity, the following provisions will apply:

13.3.1 Franchisee represents and warrants that the information set forth in Exhibit 2, which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Franchisee shall notify Franchisor in writing within 10 days of any change in the information set forth in Exhibit 2, and shall submit to Franchisor a revised Exhibit 2, certified by Franchisee as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as Exhibit 2. Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

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

13.3.3 All present and future Owners of a 10% or more (directly or indirectly), in the aggregate, of the Equity or voting rights in Franchisee, will execute a written guaranty in the form of Exhibit 3 attached hereto or another form prescribed by Franchisor, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of Franchisee's obligations to Franchisor and to Franchisor's Affiliates. For purposes of determining whether said 10% threshold is satisfied, holdings of spouses (and family members who live in the same household) and Affiliates shall be aggregated. Upon each transfer or assignment of an interest in Franchisee, or other change in ownership interests in Franchisee and at any other time upon Franchisor's request, said holders shall re-execute a written guaranty in a form prescribed by Franchisor. Notwithstanding the foregoing provisions of section 13.3.3 above or section 13.4.1(h) below, if Franchisee is an entity with a net worth of \$1,000,000 or more, as verified by its financial statement submitted to Franchisor, for so long as the Franchisee entity maintains its net worth at that level or above, no written guaranty will be required of its Owners.

13.3.4 Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent, shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No such offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Owners and the other participants in the offering must fully defend and indemnify Franchisor, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Franchisee shall pay, in addition to any transfer fee required under Section 13.2.3(k) of this Agreement, to Franchisor a non-refundable fee of \$5,000, or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including legal and accounting fees.

Franchisee shall give Franchisor written notice at least 30 days prior to the date of commencement of any offering or other transaction covered by this Section.

13.4 Assignment to a Controlled Entity.

13.4.1 If Franchisee is one or more individuals, and in the event that Franchisee proposes to transfer all of its interest in this Agreement and the assets of the Restaurant operated hereunder to an Entity formed by Franchisee solely for the convenience of ownership, Franchisee may (without paying the transfer fee specified in Section 13.2.3(k) of this Agreement), with Franchisor's written consent, transfer such interest and assets, provided, and on condition that:

(a) upon Franchisor's request, Franchisee delivering to Franchisor a true, correct and complete copy of the transferee Entity's articles of incorporation or articles of organization, bylaws, operating agreement, partnership agreement, and other organizational documents, and Franchisor has accepted the same;

(b) the transferee Entity's articles of incorporation or articles of organization, bylaws, and operating agreement, as applicable, shall provide that its activities are confined exclusively to operating the Restaurant operated hereunder;

(c) Franchisee directly owns not less than 51% of the Equity and voting rights of the transferee Entity;

(d) such Entity is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified;

(e) the person designated by Franchisee as the Operating Principal has exclusive day-to-day operational control of the Licensed Restaurant;

(f) such Entity conducts no other business than the operation of Restaurants;

(g) such Entity assumes all of the obligations under this Agreement pursuant to written agreement, the form and substance of which shall be acceptable to Franchisor;

(h) each individual comprising Franchisee, and all present and future owners of 10% or more (directly or indirectly), in the aggregate, of the Equity or voting rights of an entity Franchisee (unless the entity Franchisee has and maintains a net worth of at least \$1,000,000) shall execute a written guaranty, in the form of Exhibit 3 attached hereto or another form prescribed by Franchisor, personally, irrevocably and unconditional guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of all of the obligations to Franchisor and its Affiliates under this Agreement;

(i) that none of the Owners of the Equity of the transferee Entity is, directly or indirectly, engaged in a Competitive Activity;

(j) at Franchisor's request, Franchisee shall, and shall cause each of its Affiliates who have executed a franchise agreement and each direct or indirect parent or subsidiary of such Affiliate, to execute and deliver to Franchisor a general release, on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their respective officers, directors, agents, shareholders and employees; and

(k) Franchisee shall reimburse Franchisor for all direct and indirect costs and expense it may incur in connection with the transfer, including reasonable legal fees.

13.4.2 In the event that Franchisee exercises its rights under Section 13.4.1 of this Agreement then Franchisee and such assignee Entity shall affirmatively covenant to continue to satisfy each of the conditions set forth in Section 13.4.1 of this Agreement throughout the term of this Agreement.

ARTICLE 14

DEFAULT AND TERMINATION

14.1 General. This Agreement may be terminated by Franchisor only for good cause, which means Franchisee's failure to substantially comply with the lawful requirements imposed upon it by this Agreement after being given notice at least 60 days in advance of the termination and a reasonable opportunity, which in no event will be less than 60 days from the date of the notice of noncompliance, to cure the failure (provided that this section 14.1 does not apply when there are grounds for immediate termination without notice pursuant to Section 14.2 below). 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 60 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 orders otherwise.

14.2 Option to Terminate Without Opportunity to Cure. Franchisor has the right to terminate this Agreement immediately upon notice to Franchisee without an opportunity to cure if:

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

(b) 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 the Franchise, 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 the franchisee's control;

(c) Franchisor and Franchisee agree in writing to terminate the Franchise;

(d) 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;

(e) Franchisee fails, for a period of 10 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;

(f) After curing any failure in accordance with Section 14.3 below, Franchisee engages in the same noncompliance whether or not corrected after notice;

(g) Franchisee repeatedly fails to comply with one or more requirements of the Franchise, whether or not corrected after notice;

(h) The Franchised Business or 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;

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

(j) If an audit or investigation conducted by Franchisor hereof discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated

its Gross Sales or withheld the reporting of same as herein provided, and, without limiting the foregoing, if, on 3 or more occasions in any single 36 month period, any audits or other investigations reveals an under-reporting or under-recording error of 2% or more, or on any single occasion any audit or other investigation reveals an under-reporting or under-recording of 5% or more;

(k) If Franchisee fails, for a period of 90 days after having received notification of noncompliance from Franchisor, to acquire, obtain or maintain the license(s) or permit(s) necessary to sell alcoholic beverages at the Licensed Restaurant; or

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

14.3 Termination With Notice and Opportunity To Cure. Except for any default by Franchisee under Section 14.2 of this Agreement, Franchisor may terminate this Agreement only for good cause (as defined in Section 14.1 above) after giving Franchisee prior written notice setting forth the asserted breach of this Agreement and giving Franchisee 60 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 60 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 60 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 best efforts to do so. If Franchisee's rights under this Agreement are terminated by Franchisor for material breach, Franchisor may, at Franchisor's option, (i) declare Franchisee in default of all of the other franchise agreements or other agreements Franchisee has with Franchisor, and (ii) terminate Franchisee's rights under those other agreements as well.

14.4 Reimbursement of Franchisor Costs. In the event of a default by Franchisee, all of Franchisor's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Franchisor's administrative employees shall be paid to Franchisor by Franchisee within 10 days after cure or upon demand by Franchisor if such default is not cured.

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

14.6 Termination by Franchisee. Franchisee may terminate this Agreement due to a material default by Franchisor of its obligations hereunder, which default is not cured by Franchisor within 60 days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged default with specificity; provided, that if the default is such that it cannot be reasonably cured within such 60 day period but can be reasonably cured within 180 days, Franchisor shall not be deemed in default for so long as it commences to cure such default within 60 days and diligently continues to prosecute such cure to completion. This is a material term of this Agreement and an arbitrator shall not, and shall not have the power or authority to, waive, modify or change this requirement in any arbitration proceeding or otherwise. If Franchisee terminates this Agreement pursuant to this Section, Franchisee shall comply with all of the terms and conditions of Article 15 of this Agreement.

ARTICLE 15 RIGHTS AND OBLIGATIONS UPON TERMINATION

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

15.1.1 Franchisee shall immediately cease to use all Trade Secrets, the Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall immediately return the Manual, all training materials, CD ROMs, DVDs, records, customer lists,

files, advertising and promotional materials and all other written materials incorporating Trade Secrets and all copies of the whole or any part thereof to Franchisor. Franchisee shall at its own cost, make cosmetic changes to the Licensed Restaurant so that it no longer contains or resembles Franchisor's proprietary designs, including: Franchisee shall remove all materials that would identify the Premises and Location as a restaurant operated under the Marks and System, and remove distinctive cosmetic features and finishes, interior wall coverings and colors, exterior finishes and colors and signage from the Premises and Location as Franchisor may reasonably direct and shall, at Franchisor's request, grant Franchisor access to the Premises to make cosmetic changes to the Licensed Restaurant so that it no longer resembles a Licensed Restaurant.

15.1.2 Upon any termination or expiration of this Agreement, if Franchisee has then entered into an agreement to sell to a third-party purchaser all of the assets of the Licensed Restaurant, including the leasehold interest and equipment and furnishings, Franchisee must offer to Franchisor a right of first refusal to purchase the assets proposed to be transferred, on the same terms and conditions offered by the third party; provided that Franchisor may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Franchisor reasonably and in good faith as the approximate equivalent value of said non-cash consideration); and provided further that Franchisee shall make representations and warranties to Franchisor customary for transactions of the type proposed. If Franchisor elects to exercise its rights to purchase these assets, Franchisor or its nominee, as applicable, shall send written notice of such election to Franchisee within 20 days of receipt of Franchisee's request. If Franchisor accepts such offer, the closing of the transaction shall occur within 30 days following the date of Franchisor's acceptance. Any material change in the terms of an offer prior to closing (or the failure to close the transaction within 30 days following the written notice provided by Franchisee) shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third-party designee, as in the case of the initial offer. If Franchisee has not then entered into an agreement to sell the equipment and furnishings at the Licensed Restaurant to a third-party purchaser at the time of termination or expiration of this Agreement, Franchisor may elect, at its sole option, to purchase, and Franchisee must then sell to Franchisor all assets of the Licensed Restaurant at their net book value based on the following values for specified classes of assets depreciated from the date of original purchase: (i) building construction and other leasehold improvements – 20 year depreciation life, (ii) furniture and fixtures - 15 year depreciation life, (iii) restaurant equipment - 10 year depreciation life, (iv) POS System, Computer System, telephones and small wares – 5 year depreciation life, and (v) all food and beverage inventory at current cost. Franchisor shall have no other payment obligations to Franchisee, and Franchisee specifically waives any and all claims to be paid for other equipment, furnishings, fixtures, products, supplies or the goodwill associated with the terminated Licensed Restaurant (which goodwill Franchisee acknowledges is owned exclusively by Franchisor). Franchisor may offset against any obligations it may have pursuant to this Section 15.1.2 any amounts owed by Franchisee to Franchisor.

15.1.3 Upon any termination, expiration or non-renewal of this Agreement, and if Section 15.1.2 above does not apply, Franchisor will purchase from Franchisee, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of this Agreement or any ancillary or collateral agreement by Franchisee to Franchisor or Franchisor's approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in Franchisee's possession or used by Franchisee in the Franchised Business. Franchisor is not required to purchase any personalized items, inventory, supplies, equipment, fixtures, or furnishings not reasonably required to conduct the operation of the Franchised Business in accordance with this Agreement or any ancillary or collateral agreement or to which Franchisee, at the cessation of operation of the Franchised Business by Franchisee, cannot lawfully, or does not, grant Franchisor clear title and possession upon our payment to Franchisee for the inventory, supplies, equipment, fixtures, or furnishings (Franchisor has the right to receive clear title to and possession of all items purchased from Franchisee under this section 15.1.3). Franchisor may offset against the amounts owed to Franchisee under any such purchase under this Section 15.1.3 any amounts Franchisee owes to Franchisor. Notwithstanding the foregoing however, Franchisor's requirement to purchase from Franchisee under this Section 15.1.3 will not apply:

- (a) if and when Franchisee declines a *bona fide* offer of renewal from Franchisor;
- (b) if Franchisor does not prevent Franchisee from retaining control of the Outlet or other principal place of the Franchised Business;

(c) to any termination or nonrenewal of a franchise due to a publicly announced and nondiscriminatory decision by Franchisor to completely withdraw from all franchise activity within the relevant geographic market area in which the Franchise is located;

(d) if Franchisor and Franchisee mutually agree in writing to terminate and not renew the Franchise; or

(e) to any inventory, supplies, equipment, fixtures, or furnishings that are sold by Franchisee between the date of the notice of termination or nonrenewal, and the cessation of operation of the Franchised Business by Franchisee, pursuant to the termination or nonrenewal.

15.1.4 Franchisor may retain all fees paid pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts owing to Franchisor, its Affiliates, and/or suppliers.

15.1.5 Any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate.

15.1.6 Any and all rights of Franchisee under this Agreement shall immediately cease and terminate, and Franchisee shall immediately cease and thereafter refrain from representing itself as a Franchisee or other Affiliate of Franchisor.

15.1.7 Franchisee shall transfer and assign to Franchisor or its designee all telephone numbers, white and yellow page listings, on-line telephone listings and all other associated listings for the Licensed Restaurant, and Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any classified or other telephone directory listings associated with the Licensed Restaurant, and authorize and instruct their transfer to Franchisor. Franchisee shall deliver all goods and materials containing the Marks to Franchisor and Franchisor shall have the sole and exclusive use of any items containing the Marks. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises this option.

15.1.8 If Franchisor shall have authorized Franchisee to use the Marks, or any of them in connection with the Internet, any website, or e-mail address, Franchisee shall cancel or assign to Franchisor or its designate, as Franchisor determines, all of Franchisee's right, title and interest in any Internet websites or web pages, e-mail addresses, domain name listings and registrations which contain the Marks, or any of them, in whole or in part, and Franchisee shall notify VeriSign (Network Solutions), register.com, or other applicable domain name registrar and all listing agencies, upon the termination or expiration hereof, of the termination of Franchisee's right to use any domain name, web page and other Internet devise associated with Franchisor or the Licensed Restaurant, and authorize and instruct their cancellation or transfer to Franchisor, as directed by Franchisor. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises its said rights or options. For the avoidance of doubt, nothing in this Section shall be deemed to permit Franchisee to use the Marks, or any of them in connection with the Internet, except with the prior consent of Franchisor as provided in this Agreement.

15.2 Survival of Obligations. Termination or expiration shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination (or post-expiration) covenants and agreements including the obligation of Franchisor and Franchisee to arbitrate any and all disputes shall survive the termination or expiration of this Agreement.

15.3 No Ownership of Marks. Franchisee acknowledges and agrees that rights in and to the Marks and the use thereof shall be and remain the property of Franchisor.

15.4 Government Filings. In the event Franchisee has registered any of the Marks or the name "GYU-KAKU" as part of Franchisee's assumed, fictitious or corporate name, Franchisee shall promptly amend such registration to delete the Marks and any confusingly similar marks or names therefrom.

ARTICLE 16 INSURANCE

16.1 Insurance. Franchisee shall obtain and maintain (at all times during the Term) insurance coverage in the types and amounts of coverage and deductibles specified in the Manuals which shall in each instance designate Franchisor and its designated Affiliates as additional named insureds, with an insurance company approved by Franchisor, which approval shall not be unreasonably withheld. Upon the obtaining of such insurance, Franchisee shall promptly provide to Franchisor proof of such insurance coverage and/or at such other times upon the request of Franchisor.

16.2 Use of Proceeds. In the event of damage to the Licensed Restaurant covered by insurance, the proceeds of any such insurance shall be used to restore the Licensed Restaurant to its original condition as soon as possible, unless such restoration is prohibited by the Location Lease or Franchisor has otherwise consented to in writing.

16.3 Proof of Insurance. Franchisee shall, prior to opening the Licensed Restaurant, (and from time to time, within 10 days after a request therefor from Franchisor, and annually thereafter provide evidence of the renewal or extension of each insurance policy) file with Franchisor, certificates of such insurance and shall promptly pay all premiums on the policies as they become due. In addition, the policies shall contain a provision requiring 30 days prior written notice to Franchisor of any proposed cancellation, modification, or termination of insurance. If Franchisee fails to obtain and maintain the required insurance, Franchisor may, at its option, in addition to any other rights it may have, procure such insurance for Franchisee upon prior written notice and Franchisee shall pay, upon demand, the premiums and Franchisor's costs in taking such action.

ARTICLE 17 RELATIONSHIP OF PARTIES, DISCLOSURE

17.1 Relationship of Franchisee to Franchisor. It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Franchisee agrees that it shall not under any circumstances hold itself out as the agent, representative, employee, partner or co-venturer of Franchisor. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Each of the parties shall file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Franchisor and Franchisee agree that the relationship created by this Agreement is one of independent contractor and not a fiduciary relationship.

17.2 Indemnity.

17.2.1 Franchisee shall protect, defend and indemnify Franchisor, and all of its Owners, Affiliates, officers, directors, employees, lawyers, agents and designees, and each of them, and hold them harmless from and against any and all costs and expenses, including legal fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or Entity or to any property arising out of or in connection with Franchisee's development, construction (including any latent or patent defects), maintenance or operation of the Premises and the Licensed Restaurant, except to the extent caused by Franchisor's intentional misfeasance, gross negligence or material default of its obligations under this Agreement.

17.2.2 Franchisor shall protect, defend and indemnify Franchisee, and all of its Owners, Affiliates, officers, directors, employees and attorneys and each of them, from any liability or damage any of them may incur, including reasonable attorneys fees, as a result of claims, demands, costs, or judgments of any kind or nature, arising out of Franchisor's intentional misfeasance, gross negligence or material breach of its obligations under this Agreement, except to the extent caused by the intentional misfeasance, gross negligence or material

breach by Franchisee (or any its said Owners, Affiliates, officers, directors, employees or attorneys) of obligations under this Agreement.

17.2.3 Each party entitled to indemnification hereunder shall give the indemnifying party prompt written notice of any claim for which the indemnified party demands indemnity (provided that such obligation shall not constitute a condition to the indemnifying party's indemnification obligation unless the indemnifying party has been materially harmed by such delay). Franchisor shall retain the full right and power to direct, manage, control and settle the litigation of any claim. Each indemnified party shall submit all indemnifiable claims to its insurers in a timely manner. Any payments made by an indemnified party shall be net of benefits received by any indemnified party on account of insurance in respect of such claims.

ARTICLE 18 DISPUTE RESOLUTION

18.1 Initial Steps to Resolve a Dispute; Mediation.

18.1.1 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, in light of 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 shall 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 Franchisee's Principal Equity Owners meet in person within five business days after a party notifies the other party that a Dispute has arisen at Franchisor's principal executive office (without their respective legal counsel) 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 sections 14.2 or 14.3 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 14.4 above. Also, if a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this section 18.1.1, the other party may immediately commence an arbitration proceeding pursuant to section 18.2 below.

18.1.2 If the parties are unable to settle the Dispute at the settlement conference described in section 18.1.1 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 conducted by and before a mediator, and at a location, mutually agreeable to both parties; provided however the mediator must be an attorney 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 18.2 below. Any mediation proceedings may take place at any mutually agreed location in California, and should be completed within 90 days following the date either party first gives notice of mediation. The fees and expenses of the mediator and JAMS shall be shared equally by the parties. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

18.1.3 Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation.

18.2 Arbitration.

18.2.1 Any dispute between Franchisor (and its Affiliates) and Franchisee and/or Principal Equity Owners (and their respective Affiliates) arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, not settled through the procedures described in section 18.1.1 above will be resolved by submission to binding arbitration by and before JAMS, Inc. ("JAMS"), 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 by any other mutually agreeable arbitration organization. The arbitrator is authorized to award attorney's fees and costs to the prevailing party pursuant to section 18.4 below. It is explicitly agreed by each of the parties hereto that no arbitration of any dispute involving this Agreement or the franchise relationship among the parties hereto may be commenced except in accordance with this section 18.2.

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

18.2.3 Either party may present briefs and deposition testimony 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.

18.2.4 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.

18.2.5 TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ANY AND 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.

18.2.6 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.

18.2.7 The provisions of this section 18.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Furthermore, this section 18.2 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: _____]

18.3 Injunctive Relief. Franchisor shall be entitled to immediate equitable remedies including, but not limited to, mandatory orders and injunctive relief in order to safeguard its Trade Secrets (including, without limitation, its proprietary, confidential, unique and special information) and that breach of such terms of this Agreement would cause irreparable harm to Franchisor. Also, any party has the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, without the necessity of first complying with sections 18.1 or 18.2 above and without the necessity of 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 sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). Franchisee acknowledges that it is one of a number of licensed franchisees using the Marks and that failure on its part to comply fully with any of the terms of this Agreement respecting the foregoing obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor or other Gyu-Kaku Restaurants. If an arbitration proceeding has commenced pursuant to section 18.2 above, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

18.4 Legal Fees and Expenses. If any party to this Agreement shall bring any arbitration, action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for legal fees and costs incurred in bringing or defending such arbitration, action or proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such arbitration, action or proceeding. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party shall be determined by the trier of fact. For the purposes of this Section, attorney fees shall include fees incurred in the following: (i) post-judgment motions; (ii) contempt proceedings; (iii) garnishment, levy, and debtor and third party examinations; (iv) discovery; and (v) bankruptcy litigation. This Section 18.5 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.

18.5 Survival. The terms of this Article 18 shall survive termination, expiration or cancellation of this Agreement.

ARTICLE 19 MISCELLANEOUS PROVISIONS

19.1 Notices. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered one business day after (i) transmission by fax or other electronic system expressly approved in the Manuals as appropriate for delivery of notices hereunder (with confirmation copy sent by regular U.S. mail), or (ii) deposit with a reliable overnight courier, for delivery on the next business day, and addressed as follows:

If to Franchisor: Reins USA Franchise Company, Inc.
20000 Mariner Avenue, Suite 500
Torrance, CA 90503-1670
Attn: _____
Phone No.: 310-214-9572

If to Franchisee: _____

Attn: _____
Phone No.: _____

Any party may change his or its address and/or fax number by giving 10 days prior written notice of such change to all other parties.

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

19.3 Waiver and Delay. No waiver by Franchisor of any default or series of defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Licensed Restaurant) or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement, any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Licensed Restaurant) or the Manuals, shall constitute a waiver of the provisions of this Agreement or the Manuals with respect to any subsequent default thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof. Franchisor will consider written requests by Franchisee for Franchisor's consent to a waiver of any obligation imposed by this Agreement. Franchisee agrees, however, that Franchisor is not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case by case basis, and nothing shall be construed to require Franchisor to grant any such request. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's discretion, at any time and for any reason, effective upon 10 days prior written notice to Franchisee. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, acceptance, consent, assistance, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

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

19.5 Successors and Assigns; Benefit. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment contained herein. This Agreement is for the benefit of the parties only, and is not intended to and shall not confer any rights or benefits upon any person who is not a party hereto.

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

19.7 Governing Law. The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs procedural and jurisdictional issues respecting arbitration of disputes under this Agreement. All other terms and conditions of this Agreement and all related matters, documents and agreements shall be governed by and construed in accordance with the laws of the state in which the Licensed Restaurant operated hereunder is located, without regard to conflicts of laws. If any provision of this Agreement is impermissible under the applicable 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.

19.8 Entire Agreement. This Agreement and the Manuals contain all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof, provided however, that nothing in this sentence is intended to disclaim the representations made in the Gyu-Kaku Franchise Disclosure Document that was provided to Franchisee. No other agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements, understandings and representations are merged herein and

superseded hereby. Franchisee represents that there are no contemporaneous agreements or understandings relating to the subject matter hereof between the parties that are not contained herein. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in any franchise disclosure document for prospective franchisees required by Applicable Law, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto.

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

19.10 Gender And Construction. The terms of all Exhibits hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or Section hereof may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary as requiring Franchisor not to unreasonably withhold consent or approval, any consent, acceptance, approval or authorization of Franchisor which Franchisee may be required to obtain hereunder may be given or withheld by Franchisor in its sole discretion, and on any occasion where Franchisor is required or permitted hereunder to make any judgment, determination or use its sole discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. No provision herein expressly identifying any particular breach of this Agreement as material shall be construed to imply that any other breach which is not so identified is not material. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

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

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

ARTICLE 20 SUBMISSION OF AGREEMENT

20.1 General. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed on its behalf by an authorized officer of Franchisor.

ARTICLE 21 ACKNOWLEDGMENT

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

Franchisor expressly disclaims making, and Franchisee acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

IN WITNESS WHEREOF, the parties hereof have executed this Agreement as of _____
(the "Effective Date").

FRANCHISEE:

By: _____

PRINTED NAME AND TITLE

FRANCHISOR:

REINS USA FRANCHISE COMPANY, INC.

By: _____
Ryo Tozu, Chief Executive Officer

EXHIBIT 1 - TERRITORY

The Territory is the area where neither Franchisor nor any Affiliate of Franchisor shall open or operate any Traditional Restaurant, nor license others to do so.

The Territory is either

☐ a radius of ____ miles around the Licensed Restaurant or

☐ the geographical area surrounding the Licensed Restaurant as depicted in a map attached to this Exhibit 1.

The Licensed Restaurant is located at:

(If the address of the Licensed Restaurant is unknown when this Agreement is signed, when 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, titles, residential addresses and respective percentage ownership interests of each equity owner of the Franchisee entity (if more space is required, attached additional sheets hereto):

1. _____	2. _____
_____	_____
_____	_____
_____ %	_____ %

3. _____	4. _____
_____	_____
_____	_____
_____ %	_____ %

5. _____

_____ %

EXHIBIT 3 - GUARANTY OF FRANCHISE AGREEMENT

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") with Reins USA Franchise Company, Inc. ("Franchisor") of even date herewith, the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement, including but not limited to monetary obligations. If Franchisee is an entity with a net worth of \$1,000,000 or more, as verified by its financial statement submitted to Franchisor, and for so long as the Franchisee entity maintains its net worth at that level or above, this guaranty need only be signed by the Franchisee entity and no corresponding written guaranty will be required of Franchisee's Owners. However, if the net worth of the Franchisee entity falls below \$1,000,000, immediately upon Franchisor's written request therefor, each of Franchisee's Owners would have to sign this form of guaranty and be individually obligated hereunder.

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

Each of the undersigned consents and agrees that: (1) his or her liability under this guaranty shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) he or she will individually comply with all the provisions and subsections of the Agreement and any renewals and amendments thereto; (4) such a liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (5) such a liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall, in any way, modify or amend this guaranty which shall be continuing and irrevocable.

If any provision of this guaranty is deemed to be invalid or inoperative, for any reason, that part shall be deemed modified to the extent necessary to make it valid and operative, or if it cannot be so modified, then severed, and the remainder of the guaranty shall continue in full force and effect as if it had been executed and entered into with the invalid portions so modified or eliminated.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the executed Agreement:

GUARANTORS:

PRINT NAME: _____

PRINT NAME: _____

PRINT NAME: _____

PRINT NAME: _____

PRINT NAME: _____

GYU-KAKU

FINANCIAL STATEMENTS

EXHIBIT B

REINS USA FRANCHISE COMPANY, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017

REINS USA FRANCHISE COMPANY, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Reins USA Franchise Company, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Reins USA Franchise Company, Inc. (the "Company"), which comprise the balance sheet as of October 28, 2018, the related statements of operations and retained earnings and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements").

Management's Responsibility 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reins USA Franchise Company, Inc. as of October 28, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Company, as of and for the year ended October 29, 2017, before they were restated for the matter discussed in Note 6 to the financial statements, were audited by other auditors, whose report, dated February 15, 2018, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "Singer Lewak LLP". The signature is written in a cursive, flowing style.

February 13, 2019

REINS USA FRANCHISE COMPANY, INC.

BALANCE SHEETS

October 28, 2018 and October 29, 2017

	2018	Restated 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,358,226	\$ 3,686,959
Accounts receivable – trade, less allowance for doubtful accounts of \$170,000 and \$98,000, respectively	609,790	435,392
Due from affiliates	8,491,551	4,443,551
Prepaid expenses and other assets	57,401	34,311
Inventory	4,500	13,287
Total current assets	10,521,468	8,613,500
Deferred taxes	453,950	579,796
Total assets	\$ 10,975,418	\$ 9,193,296
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable – trade	\$ 10,915	\$ 15,818
Due to affiliates	417,017	672,399
Accrued expenses and other liabilities	41,633	13,181
Income tax payables	1,836,450	1,150,000
Total current liabilities	2,306,015	1,851,398
Deferred revenue	1,201,871	1,098,956
Total liabilities	3,507,886	2,950,354
Stockholder's equity		
Common stock, no par value, 10,000 shares authorized; 500 shares issued and outstanding	50,000	50,000
Retained earnings	7,417,532	6,192,942
Total stockholder's equity	7,467,532	6,242,942
Total liabilities and stockholder's equity	\$ 10,975,418	\$ 9,193,296

The accompanying notes are an integral part of these financial statements.

REINS USA FRANCHISE COMPANY, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
Years Ended October 28, 2018 and October 29, 2017

	<u>2018</u>	<u>Restated 2017</u>
Franchise revenues	\$ 4,002,288	\$ 3,235,702
Operating expenses	<u>1,897,892</u>	<u>487,745</u>
Income before provision for income taxes	2,104,396	2,747,957
Provision for income taxes	<u>879,806</u>	<u>645,204</u>
Net income	1,224,590	2,102,753
Beginning retained earnings	<u>6,192,942</u>	<u>4,090,189</u>
Ending retained earnings	<u>\$ 7,417,532</u>	<u>\$ 6,192,942</u>

The accompanying notes are an integral part of these financial statements.

REINS USA FRANCHISE COMPANY, INC.**STATEMENTS OF CASH FLOWS****Years Ended October 28, 2018 and October 29, 2017**

	<u>2018</u>	<u>Restated 2017</u>
Cash flows from operating activities		
Net income	\$ 1,224,590	\$ 2,102,753
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	125,846	(420,449)
Bad debt expense	72,000	(88,000)
Changes in operating assets and liabilities:		
Accounts receivable – trade	(246,398)	(326,746)
Due from affiliates	(4,048,000)	(1,523,882)
Prepaid expenses and other assets	(23,090)	18,024
Inventory	8,787	11,918
Accounts payable – trade	(4,903)	(32,124)
Due to affiliates	(255,382)	218,216
Accrued expenses and other liabilities	28,452	(20,780)
Income tax payable	686,450	263,074
Deferred revenue	<u>102,915</u>	<u>623,932</u>
Net cash (used in) provided by operating activities	<u>(2,328,733)</u>	<u>825,936</u>
Net (decrease) increase in cash and cash equivalents	(2,328,733)	825,936
Cash and cash equivalents at the beginning of year	<u>3,686,959</u>	<u>2,861,023</u>
Cash and cash equivalents at the end of year	<u>\$ 1,358,226</u>	<u>\$ 3,686,959</u>

The accompanying notes are an integral part of these financial statements.

REINS USA FRANCHISE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 28, 2018 AND OCTOBER 29, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

Organization

Reins USA Franchise Company, Inc. (the “Company”) was incorporated on February 27, 2008 in California. The Company is a wholly-owned subsidiary of Reins International USA, Company Limited (the “Parent Company”). The principal business of the Company is to authorize and manage franchises for the operation of Japanese-style barbeque restaurants under the name of Gyu-Kaku Restaurant. The Company grants franchise license to its franchisees throughout the United States of America and Canada.

The Company started franchising Gyu-Kaku Restaurant in the U.S. and Canada in 2010 and there are 27 and 24 restaurants operated by franchisees as of October 28, 2018 and October 29, 2017, respectively.

Fiscal Year

The Company follows a 52-/53-week fiscal reporting calendar ending on the last Sunday of October. The years ending October 28, 2018 and October 29, 2017 consisted of 52 weeks.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with purchased maturities of three months or less.

Accounts Receivable

Accounts receivable include open accounts representing royalty income calculated based on the franchisees’ revenues in each restaurant. The Company maintains an allowance for doubtful accounts based upon historical experience and identifying potential collection issues.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) and net realizable value.

Franchising and Revenue Recognition

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. If fully compliant with all requirements, a franchisee may generally renew their agreement upon the expiration of the agreement, which is usually for a period of ten years. In recognition of the rights and privileges conveyed by the franchise agreements and for mutual general and administrative expenses incurred by the Company, the franchisees are to pay a service fee to the Company equal to 1.5% of the revenue in the restaurants. Direct costs of sales and servicing of franchise agreements are recorded as operating expenses as they are incurred.

REINS USA FRANCHISE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 28, 2018 AND OCTOBER 29, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (Continued)

Franchising and Revenue Recognition (Continued)

The Company provides certain services to franchisees, including site selection, training, systems implementation, and the design of a quality control program. The Company recognizes initial fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon the opening of the food service counter. Presently, the franchise agreements require the franchisee to pay an initial, non-refundable fee of \$50,000 per restaurant, typically, for a ten-year term. For additional restaurants opened by existing franchisees, the initial fee for each restaurant is \$25,000 for a ten-year term.

Advertising

Advertising cost, included in operating expenses, are expensed as incurred and amounted to \$9,117 and \$4,773 for the years ended October 28, 2018 and October 29, 2017, respectively.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes which relate to the temporary differences between financial and tax reporting as if the Company were a separate taxpayer rather than a member of the ultimate Parent Company's consolidated income tax return group. Management records a valuation allowance to reduce its deferred taxes to the amount it believes is more likely than not to be realized in either of the Company, ultimate parent or other group members (Modified Separate-return Approach). The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future income are reduced.

The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered and settled, respectively. Differences between the Company's separate company income tax provision and cash flows attributable to income taxes pursuant to the provisions of the Company's tax sharing arrangement with the ultimate parent company have been recognized as capital contributions from, or dividends to, the ultimate parent company. Current tax payables to ultimate parent are disclosed as income tax payables in the Company's balance sheet.

The Company classifies interest and penalties related to unrecognized tax benefits, if incurred, as a component of income tax expense. To date, there have been no unrecognized tax positions.

Foreign Currency Transactions

Certain franchise revenues and operating expenses are denominated in foreign currency, primarily in Canadian Dollar. Assets and liabilities from such transactions are translated into U.S. Dollar equivalents at exchange rates in effect as of the balance sheet date. Gains or losses resulting from such transactions are reflected in the accompanying statements of operations.

REINS USA FRANCHISE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 28, 2018 AND OCTOBER 29, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior period financial statements to conform to classifications used in the current year. These reclassifications had no impact on net income, stockholder's deficiency or cash flows as previously reported.

Subsequent Events

The Company has evaluated subsequent events through February 13, 2019, which is the date that the financial statements were available to be issued.

Recently Adopted Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in the ASU require entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The Company adopted ASU 2015-11 effective October 30, 2017 with no material impact on the financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the presentation of deferred income taxes by eliminating the requirement for entities to separate deferred tax liabilities and assets into current and noncurrent amounts in classified balance sheets. Instead, it requires deferred tax assets and liabilities be classified as noncurrent in the balance sheet. ASU 2015-17 is effective for financial statements issued for years after December 15, 2017 with early adoption permitted. The Company adopted ASU 2015-17 effective October 29, 2018 with no material impact on the financial statement.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Company for years beginning after December 15, 2018. The Company does not believe the adoption of the new financial instruments standard will have a material impact on its consolidated financial statements. The Company elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and, as such, these disclosures are not included herein.

REINS USA FRANCHISE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 28, 2018 AND OCTOBER 29, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for years beginning after December 15, 2018. The Company is in the process of adoption and is currently evaluating the effect that the standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for years beginning after December 15, 2019, and interim periods within years beginning after December 15, 2020. The Company is currently evaluating the effects adoption of this guidance will have on its consolidated financial statements.

NOTE 2 – RELATED PARTY TRANSACTIONS

The Company has the “Agreement for Franchise Operations” and “Trademark and Know-How License Agreement” with Reins International, Inc., the ultimate Parent Company in Japan. Under these agreements, the ultimate Parent Company authorized and licensed the Company to grant franchises for the operation of Japanese style barbeque restaurants under the name of Gyu-Kaku Restaurant. In recognition of the rights and privileges conveyed by these agreements and for mutual general and administrative expenses incurred by the ultimate Parent Company, the Company is to pay a service fee to the ultimate Parent Company equal to point three percent (0.3%) of the revenue in the restaurants. For the years ended October 28, 2018 and October 29, 2017, royalty fee expenses totaled \$186,636 and \$124,428, respectively.

The Company receives the reimbursement of general liabilities, workers’ compensation, and redeemed coupon expenses from affiliates. Some of disbursements, such as supplies and travel, are made through affiliate entities. The following is a summary of significant transactions and balances with the Parent Company and affiliates as of October 28, 2018 and October 29, 2017:

REINS USA FRANCHISE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 28, 2018 AND OCTOBER 29, 2017

NOTE 2 – RELATED PARTY TRANSACTIONS (Continued)

	<u>2018</u>	<u>2017</u>
Due from affiliates:		
Reins International USA, Inc.	\$ 3,552,099	\$ 1,552,099
Reins International California, Inc.	3,438,669	2,890,669
Reins International Colorado, Inc.	200,000	-
Reins International Georgia, Inc.	1,000,000	-
Reins Texas International, Inc.	300,000	-
Reins International New York, Inc.	<u>783</u>	<u>783</u>
	<u>\$ 8,491,551</u>	<u>\$ 4,443,551</u>
	<u>2018</u>	<u>2017</u>
Due to affiliates:		
Reins International California, Inc.	\$ 228,771	\$ 366,901
Reins International USA, Inc.	186,636	298,768
Reins International New York, Inc.	<u>1,610</u>	<u>6,730</u>
	<u>\$ 417,017</u>	<u>\$ 672,399</u>

In addition, the Company owed income tax for \$1,836,450 and \$1,150,000 to the ultimate Parent Company as of October 28, 2018 and October 29, 2017, respectively (see Note 4), which is presented as income tax payables in the balance sheets.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts in two banks. Management believes that the Company is not exposed to any significant risk related to cash and cash equivalents because of the high quality of the financial institutions where cash and cash equivalents are deposited.

REINS USA FRANCHISE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 28, 2018 AND OCTOBER 29, 2017

NOTE 4 – INCOME TAXES

The Company, ultimate Parent Company and other group members file their U.S. federal income taxes on a consolidated basis; tax provisions are computed and apportioned to each company as mentioned at Note 1. The ultimate Parent Company pays federal and certain state income taxes on behalf of the Company; for the 52 weeks ended October 28, 2018 and October 29, 2017, \$686,450 and \$1,065,653, respectively, have been included in income tax payables for tax payments attributable to the Company's share in tax liability for the previous year. The components of the provision for income taxes for the years ended October 28, 2018 and October 29, 2017 are as follows:

	<u>2018</u>	<u>Restated 2017</u>
Current taxes:		
Federal	\$ 484,863	\$ 829,165
State	201,587	236,488
Foreign	<u>67,510</u>	<u>-</u>
	<u>753,960</u>	<u>1,065,653</u>
Deferred taxes:		
Federal	(64,635)	(327,143)
State	<u>(15,462)</u>	<u>(93,306)</u>
	<u>(80,097)</u>	<u>(420,449)</u>
Effect of change of tax rates	<u>205,943</u>	<u>-</u>
Provision for income taxes	<u>\$ 879,806</u>	<u>\$ 645,204</u>

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted. The Act included, among other things, a reduction of the U.S. corporate tax rate from 35% to 21%. Because of the reduction in the corporate tax rate, the Company remeasured its deferred tax balances using the new rate in the period. This resulted in an estimated one-time charge of approximately \$205,943 for the year ended October 28, 2018.

The provisions for income taxes for the year ended October 28, 2018 and October 29, 2017 are different from the amounts computed by applying the statutory U.S. federal income tax rate to net income before income taxes primarily due to state/foreign income taxes, tax rate change applied to deferred tax balances and certain non-deductible items.

REINS USA FRANCHISE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 28, 2018 AND OCTOBER 29, 2017

NOTE 4 – INCOME TAXES (Continued)

The components of the Company's deferred tax assets and liabilities at October 28, 2018 and October 29, 2017 are stated below:

	<u>2018</u>	<u>As Restated 2017</u>
Deferred tax assets (liabilities):		
Deferred revenue	\$ 358,638	\$ 470,793
Allowance for doubtful accounts	50,728	41,983
State taxes	<u>44,584</u>	<u>67,020</u>
Net deferred tax assets	<u>\$ 453,950</u>	<u>\$ 579,796</u>

All deferred tax assets are expected to be realized. Therefore, no valuation allowance has been recorded.

The Company is no longer subject to U.S. federal examinations for tax years prior to 2015 and, generally, is no longer subject to state and local examinations for tax years before 2014.

NOTE 5 – FRANCHISE OPERATIONS

Information regarding franchises in the United States and Canada as of October 28, 2018 and October 29, 2017 is as follows:

Location	<u>2018</u>			<u>2017</u>		
	U.S.	Canada	Total	U.S.	Canada	Total
Number of franchisees	17	4	21	15	4	19
Number of franchisee-operated restaurants	23	4	27	20	4	24

NOTE 6 – RESTATEMENT

During the current year, certain errors were identified as a result of the Company's identification of an understatement of amounts previously reported as deferred tax assets as of October 29, 2017. Accordingly, adjustments of \$229,796 were made to increase deferred tax assets and decrease provision for income taxes.

REINS USA FRANCHISE COMPANY, INC.

Financial Statements as of and for the 53 Weeks Ended as of October 30, 2016 and the 52 Weeks Ended as of October 30, 2016, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of
REINS USA FRANCHISE COMPANY, INC.

We have audited the accompanying financial statements of REINS USA FRANCHISE COMPANY, INC (the "Company"), which comprise the balance sheets as of October 30, 2016 and October 25, 2015, and the related statements of income, shareholder's equity, and cash flows for the 53 and 52 weeks ended as of October 30, 2016 and October 25, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of REINS USA FRANCHISE COMPANY, INC. at October 30, 2016 and October 25, 2015, and the results of its operations and its cash flows for the 53 and 52 weeks ended October 30, 2016 and October 25, 2015 in conformity with U.S. generally accepted accounting principles.

Ishigami, Ishigami, & Odi, LLP.

November 30, 2016

REINS USA FRANCHISE COMPANY, INC.

BALANCE SHEETS

	<u>As Of</u> <u>October 30, 2016</u>	<u>As Of</u> <u>October 25, 2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,861,023	\$ 1,664,128
Accounts receivable, net	20,646	282,027
Due to affiliates	1,419,669	357,822
Prepaid expenses and other current assets	52,335	54,546
Inventory	25,205	12,252
Total current assets	<u>4,378,878</u>	<u>2,370,775</u>
DEPOSIT	-	30,000
DEFERRED TAX ASSETS	159,347	159,347
DEPOSIT - JAPAN	<u>1,500,000</u>	<u>1,500,000</u>
TOTAL ASSETS	<u>\$ 6,038,225</u>	<u>\$ 4,060,122</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Account payable	\$ 47,942	\$ 12,163
Due from affiliates	454,183	378,615
Accrued expenses	33,961	29,690
Income tax payables	886,926	669,069
Total current liabilities	<u>1,423,012</u>	<u>1,089,537</u>
DUE FROM FRANCHISEES	<u>475,024</u>	<u>400,024</u>
TOTAL LIABILITIES	1,898,036	1,489,561
STOCKHOLDER'S EQUITY:		
Common stock, no par value; 10,000 shares authorized, 500 shares issued and outstanding	50,000	50,000
Retained earnings	<u>4,090,189</u>	<u>2,520,561</u>
Total shareholder's equity	<u>4,140,189</u>	<u>2,570,561</u>
TOTAL	<u>\$ 6,038,225</u>	<u>\$ 4,060,122</u>

See notes to financial statements.

REINS USA FRANCHISE COMPANY, INC.

STATEMENTS OF INCOME

	<u>For The 53 Weeks</u> <u>Ended October 30, 2016</u>	<u>For The 52 Weeks</u> <u>Ended October 25, 2015</u>
FRANCHISE REVENUES	\$ 2,746,541	\$ 2,160,804
OPERATING EXPENSES	<u>349,332</u>	<u>585,528</u>
OPERATING INCOME	2,397,209	1,575,276
OTHER EXPENSE (INCOME)	<u>25,000</u>	<u>(9,990)</u>
INCOME BEFORE INCOME TAX	2,372,209	1,585,266
INCOME TAX	<u>802,581</u>	<u>509,722</u>
NET INCOME	<u>\$ 1,569,628</u>	<u>\$ 1,075,544</u>

See notes to financial statements.

REINS USA FRANCHISE COMPANY, INC.

STATEMENT OF SHAREHOLDER'S EQUITY

	Common Stock		Retained Earnings	Total Shareholder's Equity
	Share	Amount		
BALANCE - October 26, 2014	10,000	\$ 50,000	\$ 1,445,017	\$ 1,495,017
Net income			1,075,544	1,075,544
BALANCE - October 25, 2015	10,000	50,000	2,520,561	2,570,561
Net income			1,569,628	1,569,628
BALANCE - October 30, 2016	10,000	\$ 50,000	\$ 4,090,189	\$ 4,140,189

See notes to financial statements.

REINS USA FRANCHISE COMPANY, INC.

STATEMENTS OF CASH FLOWS

	<u>For the 53 Weeks Ended</u> <u>October 30, 2016</u>	<u>For the 52 Weeks Ended</u> <u>October 25, 2015</u>
OPERATING ACTIVITIES		
Net income	\$ 1,569,628	\$ 1,075,544
Noncash adjustments:		
Deferred income tax	-	(99,595)
Change in operating assets and liabilities:		
Decrease/(increase) in accounts receivable	261,381	(177,589)
Decrease/(increase) in prepaid and other currents assets	2,211	(43,187)
Increase in inventories	(12,953)	(9,906)
(Decrease)/increase in deposit	30,000	(530,000)
Increase/(decrease) in accounts payable	35,779	(8,195)
Increase in accrued expense	4,271	8,357
Increase in income tax payable	217,857	160,728
Increase in dues to/from affiliates	75,000	76,953
(Increase)/decrease in due from franchisees	(986,279)	100,024
Net cash provided by operating activities	1,196,895	553,134
 NET INCREASE IN (DECREASE) IN CASH AND CASH EQUIVALENTS:	 1,196,895	 553,134
 CASH AND CASH EQUIVALENTS at beginning of year	 1,664,128	 1,110,994
 CASH AND CASH EQUIVALENTS at end of year	 \$ 2,861,023	 \$ 1,664,128

See notes to financial statements.

REINS USA FRANCHISE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE 53 and 52 WEEKS ENDED OCTOBER 30, 2016 AND OCTOBER 25, 2015

NATURE OF BUSINESS

Reins USA Franchise Company, Inc. (the “Company”) was incorporated under the laws of the State of California on February 27, 2008, as wholly owned company by Reins International USA, Company Limited (the “Parent”). The Company was organized for the purpose of franchising Japanese style barbeque restaurants under the name of Gyu-Kaku Restaurant.

In 2010, the Company started franchising Gyu-Kaku Restaurant in the US and has granted the franchise to four franchisees in US and in Canada. The Company entered into franchise agreements with the existing Franchisees for the second location of Gyu-Kaku Restaurant in the fiscal year ended 2013. Also, the Company plans to open six more franchisee restaurants within next year in Florida, Nevada, California, and Philadelphia.

As of October 30, 2016 and October 25, 2015, the Company has no employees. Since inception, the day-to-day management of the franchise operating, including preparation and maintenance of the financial and other records and books and administration of activities, is managed by Rein International California, Inc., a wholly owned subsidiary of Reins International USA Company, Limited, affiliated company.

ESTIMATES IN FINANCIAL STATEMENTS

The preparation of financial statements in conforming with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balance, and deposit with a bank. For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at October 30, 2016 and October 25, 2015.

ACCOUNTS RECEIVABLE

Accounts receivable recorded on the balance sheets represent amounts calculated based on the Franchisees’ daily income, which payments have not yet been received. The Company has not established an allowance for doubtful accounts as it has no history of credit losses.

REVENUE RECOGNITION

The revenues of the Company are primarily account for royalties and thereto franchise initial fees. The Company recognizes royalties on a monthly basis in accordance with franchisees' operation result. In contrast, the initial fees are one-time-only revenue and are recognized upon granting of new franchise term, which is when the Company has substantially performed all initial services required by the franchise arrangement.

For the 53 and 52 weeks ended October 30, 2016 and October 25, 2015, the Company recognized the franchise initial fees of \$275,000 and \$0, respectively. In addition, the additional deferred revenues from the franchise initial fees were recorded under non-current liabilities, in the amount of \$350,000, and \$150,024 during the 53 and 52 weeks ended October 30, 2016 and October 25, 2015, respectively.

FRANCHISE ARRANGEMENT

The franchise arrangement makes provision for payment of initial fees, as well as royalties. Under the arrangement, franchisees are granted the right to operate a restaurant using the Gyu-Kaku Restaurant's System and pay royalties for the use of the name Gyukaku Restaurant based on the franchisees' monthly gross sales and the royalty rate specified in the franchise agreement hereof.

INCOME TAX

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in the year in which the differences are expenses to reverse.

RELATED-PARTY TRANSACTIONS

The Company receives the reimbursement of general liabilities, workers' compensation, and redeemed groupon expenses, from affiliates.

The due from affiliates consist of the following:

	<u>October 30, 2016</u>	<u>October 25, 2015</u>
Due from affiliates:		
Reins International USA, Inc.	\$ 29,200	\$ 20,679
Reins International California, Inc.	1,389,825	-
Rein International New York, Inc.	64	337,143
	<u>\$ 1,419,089</u>	<u>\$ 357,822</u>

Some of disbursements, such as supplies and travel, are made through affiliate entities.

The due to affiliates consist of the following:

	<u>October 30, 2016</u>	<u>October 25, 2015</u>
Due to affiliates:		
Reins International USA, Inc.	\$ 225,233	\$ 238,231
Reins International California, Inc.	199,961	112,870
Rein International New York, Inc.	28,893	27,419
Rein Texas International, Inc.	95	95
	<u>\$ 454,182</u>	<u>\$ 378,615</u>

In addition, the Company owed income tax for \$886,926 and \$699,982 at October 30, 2016 and October 25, 2015 respectively. The Company also had a receivable from the shareholder of the Parent for \$1,500,000 at October 30, 2016 and October 25, 2015.

RECLASSIFICATIONS

Certain amounts in the 53 and 52 weeks ended October 30, 2016 and October 25, 2015 presentation have been reclassified to conform to the prior year and the current year presentation.

SUBSEQUENT EVENTS

Management has evaluated and disclosed, as required, any subsequent events up to and including November 30, 2016, the date of the issuance of this report.

* * * * *

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Whom It May Concern:

We hereby consent to the use in the Franchise Disclosure Document issued by Reins USA Franchise Company, Inc. on November 30, 2016 as it may be amended, of our report dated November 30, 2016, relating to the financial statements of Reins USA Franchise Company, Inc. as of October 30, 2016 and October 25, 2015.

Ishigami, Ishigami, & Ochi, LLP.

March 10, 2017

Ishigami, Ishigami, & Ochi, LLP

GYU-KAKU

LIST OF FRANCHISE OUTLETS

LIST OF FRANCHISE OUTLETS

The following franchise outlets were open and operating on February 13, 2019:

STATE	CONTACT NAME	ADDRESS	PHONE NO.
CALIFORNIA	Xiao Ming Sun	120 S. Brea Blvd., Brea, CA 92821	714-671-9378
	Chris Muradyan, Roger Moussa	116 S. San Fernando Blvd., Burbank, CA 91502	818-846-0779
	Eiji Fukushima	11324 South St., Cerritos, CA 90703	562-809-3800
	Edward Chan	19620 Stevens Creek Blvd., Ste. 150, Cupertino, CA 95014	408-865-0149
	Eiji Fukushima	9844 Hibert St., Ste. 1, San Diego, CA 92131	562-809-3800
	Edward Chan	329 S. Ellsworth Ave., San Mateo, CA 94401	650-343-3255
	Eiji Fukushima	14181 Newport Ave., Tustin, CA 92780	714-731-1719
	Oak Sangmanee	27025 McBean Pkwy., Valencia, CA 91355	661-254-2355
FLORIDA	Mario Contreras, Jesus Urdaneta	11327 S. Dixie Hwy., Miami, FL 33156	305-613-0051
	Mario Contreras, Jesus Urdaneta	34 SW 13th St., Unit R1, Miami, FL 33130	305-613-0051
	Yutaro Iwamura	7858 Turkey Lake Rd., Ste. 100, Orlando, FL 32819	407-342-2085
HAWAII	Ted Davenport, Rick Nakashima, Lyle Matsuoka	1339 N. School St., Honolulu, HI 96817	808-744-2157
	Ted Davenport, Rick Nakashima, Lyle Matsuoka	46-056 Kamehameha Hwy., Ste. F1, Kaneohe, HI 96744	808-744-2157
	Ted Davenport, Rick Nakashima, Lyle Matsuoka	4450 Kapolei Pkwy., Space 510, Kapolei, HI 96707	808-744-2157
	Ted Davenport, Rick Nakashima, Lyle Matsuoka	95-1830 Mililani Pkwy., Space C-12 and C-13, Mililani, HI 96789	808-600-5848
LOUISIANA	Khai Nguyen	400 Lafayette St., Ste. 101, New Orleans, LA 70130	504-507-8800
NEVADA	Lan Vu, Tracy Tran	3550 S. Decatur Blvd., Las Vegas, NV 89103	702-816-5988
NEW YORK	Charles Lin	4052 Main St., Ste 2, Flushing, NY 11354	347-996-6840
PENNSYLVANIA	Abel Maldonado Gomez	1901 Callowhill St., Philadelphia, PA 19130	267-603-9482
TEXAS	Winston Pham, Christian Le	5290 Belt Line Rd., Ste. 115, Addison, TX 75254	714-454-3538
	Winston Pham, Christian Le	8240 Preston Rd., Ste. 155, Plano, TX 75024	714-454-3538
VIRGINIA	Ki Jun Sung, David Chung, Pierre Lee	1119 N. Hudson St., Arlington, VA 22207	571-527-0445
WASHINGTON	Cecilia Gao	14506 NE 20th St., Ste. 2, Bellevue, WA 98007	425-296-8818

As of February 13, 2019, the following franchisees had signed franchise agreements, but their outlets had not yet opened:

STATE	NAME	CITY/AREA	PHONE NO.
CALIFORNIA	Chris Muradyan, Roger Moussa	Burbank	818-846-0779
	Naveed Merchan, Amar Ali, Anil Ali	East San Francisco Bay	949-394-3485

STATE	NAME	CITY/AREA	PHONE NO.
FLORIDA	Mario Contreras, Jesus Urdaneta	Doral, Miramar, Fort Lauderdale, Boca Raton (4 Restaurants)	305-613-0051
KANSAS	Szuyin Chen, Yuwei (George) Xu	Overland Park	913-239-8878
MINNESOTA	Szuyin Chen, Yuwei (George) Xu	Eden Prairie	612-886-2918
NORTH CAROLINA	Quan Hong (Helen) Xia	Charlotte, Durham, Raleigh	919-356-9062
TEXAS	Christian Le, Winston Phan	Dallas	714-454-3538

The following Gyu-Kaku restaurants owned by our parent company Reins International (USA) Co., Ltd. (or entities affiliated with it) were open and operating on February 13, 2019:

STATE	ADDRESS
CALIFORNIA	163 N. La Cienega Blvd., Beverly Hills, CA 90211
	6600 Topanga Canyon Blvd., Ste. 1010-B, Canoga Park, CA 91303
	7862 Warner Ave., Ste. 109, Huntington Beach, CA 92647
	10925 W. Pico Blvd., Los Angeles, CA 90064
	70 W. Green St., Pasadena, CA 91105
	7893 Monet Ave., Rancho Cucamonga, CA 91739
	14457 Ventura Blvd., Sherman Oaks, CA 91423
	24631 Crenshaw Blvd., Torrance, CA 90505
COLORADO	1998 18th St., Denver, CO 80202
GEORGIA	265 18th St. NW, Ste. 4130, Atlanta, GA 30363
HAWAII	1221 Kapiolani Blvd., Ste. 105, Honolulu, HI 96814
	307 Lewers St., Honolulu, HI 96815
ILLINOIS	2813 N. Broadway St., Chicago, IL 60657
	210 E. Ohio St., Chicago, IL 60611
	1364 W. Randolph St., Chicago, IL 60607
MASSACHUSETTS	1002 Beacon St., Brookline, MA 02446
	16-18 Eliot St., 2nd Floor, Cambridge, MA 02138
NEW YORK	34 Cooper Sq., New York, NY 10003
	805 3rd Ave., 2nd Flr., New York, NY 10022
	321 W. 44th St., Ste. 103, New York, NY 10036
	159 Main St., White Plains, NY 10601

TEXAS	7748 Cypress Creek Pkwy., Houston, TX 77070
	510 Gray St., Ste. A, Houston, TX 77002
	11301 Katy Fwy., Houston, TX 77079
	1531 Highway 6 S., Ste. 130, Sugar Land, TX 77478

GYU-KAKU

LIST OF TERMINATED FRANCHISES

EXHIBIT D

LIST OF TERMINATED FRANCHISES

The following franchisee had an outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during our most recently completed fiscal year (the 12 months ended October 28, 2018):

CALIFORNIA

Shelly & Mei You
Brea, CA 92821
917-650-1266
(Transferred Franchise)

No franchisee had an Outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement between October 29, 2018 and February 13, 2019.

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

REINS USA FRANCHISE COMPANY, INC.

DBA GYU-KAKU

AREA DEVELOPMENT AGREEMENT

EXHIBIT E

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AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is made on _____, 20____ (the "Effective Date") between Reins USA Franchise Company, Inc., a California corporation doing business as "Gyu-Kaku" ("Franchisor"), _____ and _____ ("Franchisee").

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

ARTICLE I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS

1.1 Option Rights.

(a) Subject to the terms and conditions contained herein, Franchisor hereby grants to Franchisee the right to, and Franchisee hereby accepts such right from Franchisor an option to, establish and operate Japanese-style "yakimiku" restaurants ("Outlets") in strict accordance with the schedule of openings attached hereto as Exhibit 1 (the "Development Schedule"). Concurrently herewith, Franchisee and Franchisor is entering into a Franchise Agreement for the initial Outlet Franchisee will open and operate. Franchisee acknowledges that this Agreement relates only to the development of additional Outlets by Franchisee (or entities owned by or affiliated with Franchisee) within the geographical area indicated in the Development Schedule (the "Development Area").

(b) So long as Franchisee's obligations under the Development Schedule are being met on a timely basis and until this Agreement terminates, Franchisor will not itself nor allow any other licensee or franchisee to operate an Outlet within the Development Area.

(c) Franchisee's exclusive rights to the Development Area only involves the opening and operation of Outlets and do not extend to a "Non-Traditional Venue" (defined as a facility operated under the "Gyu-Kaku" marks located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, hotels and motels, casinos, stadiums, airports, colleges and universities, schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores and any site for which the lessor, owner or operator thereof has indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider). Franchisor expressly reserves the right, and Franchisee acknowledges that Franchisor has the unrestricted right in Franchisor's discretion, directly and indirectly, through Franchisor's employees, affiliates, representatives, licensees, assigns, agents and others: (i) to own or operate and to license or franchise others to own or operate Outlets at any location outside the Development Area, (ii) to own or operate and to franchise or license others to own or operate restaurants under names other than "Gyu-Kaku", at any location, so long as these restaurants do not compete with Franchisee's Outlets, and (iii) to produce, license, distribute and market means any product now existing or developed in the future that bears the Gyu-Kaku brand or any other mark of Franchisor's, and products bearing other marks, including pre-packaged dipping sauces, marinades, dressings and other food and beverage products; books; clothing; souvenirs and novelty items, at or through any location or outlet, including grocery stores and convenience stores (including those which may be located within the Development Area), and through any distribution channel, at wholesale or retail, including by means of mail order catalogs, direct mail advertising, Internet marketing and other distribution methods.

1.2 Franchise Agreements.

Concurrently upon signing this Agreement, Franchisee will also be signing the Franchise Agreement for Franchisee's initial Outlet. As and when Franchisee opens additional Outlets within the Development Area, Franchisee must enter into Franchisor's then current form of Franchise Agreement for each additional Outlet (provided that the economic terms, specifically royalty and advertising fees, of such Franchise Agreements for additional Outlets will not change from the economic terms of this Agreement). So long as Franchisee is in good standing under this Agreement, Franchisee will continue to have the exclusive right to open and operate Outlets in the Development Area in accordance with the Development Schedule.

1.3 Term.

The term of this Agreement commences on the Effective Date and, unless terminated by Franchisee's material breach hereof, will continue until Franchisee has opened all Outlets to be developed in accordance with the Development Schedule. There will be no extensions or renewal periods relating to the Development Schedule unless done so in writing. Notwithstanding the above, Franchisee may terminate this Agreement upon 30 days written notice to Franchisor, and Franchisee will thereupon only be liable for the sums owed to Franchisor as of the date of termination. Upon termination of this Agreement, Franchisee will no longer have the right to open future Outlets under the Development Schedule.

1.4 No Subfranchising Rights.

Franchisee does not have the right under this Agreement to enter into subfranchise or sublicense agreements with anyone.

ARTICLE II. DEVELOPMENT OBLIGATIONS

2.1 Development Obligations.

(a) Within each Development Period specified in Exhibit 2, Franchisee must construct, equip, open and thereafter continue to operate within the Development Area, not less than the cumulative number of Outlets required for that Development Period.

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

2.2 Timing of Execution of Leases and Franchise Agreements.

Notwithstanding anything to the contrary contained herein, on or before the date that is 180 days before the end of each Development Period, Franchisee must have executed a lease (or purchase agreement) and Franchise Agreement, and paid the Initial Franchise Fee required under section 5.2 of this Agreement, for each Outlet that is required to be constructed, equipped, opened and thereafter operated by the end of such Development Period.

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 Franchisee 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 Franchisee by any lender, landlord, or other person will be an event of 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, Franchisee's financial inability to perform or Franchisee's insolvency will not be a Force Majeure hereunder.

(b) Subject to Franchisee's continuing compliance with section 2.3(c) below, should Franchisee be unable to meet its development obligation for any Development Period solely as the result of a Force Majeure, which results in Franchisee's inability to construct or operate the Outlets in all or substantially all of the Development Area pursuant to the terms of this Agreement, the particular Development Period during which the event of Force Majeure occurs will be extended by an amount of time equal to the time period during which the Force Majeure has existed during that Development Period. Development Periods during which no such event of Force Majeure existed will not be extended. unless caused by an event of Force Majeure, any delay in Franchisor's issuance of acceptance of any site for an Outlet will not extend any Development Period.

(c) If there is an event of Force Majeure, Franchisee 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 Franchisee's performance hereunder. Franchisee must continue to provide Franchisor with updates and all information as may be requested by Franchisor, including Franchisee's progress and diligence in responding to and overcoming the Force Majeure.

(d) Franchisor will not be liable to Franchisee for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Franchisee by reason of any delay in the delivery of Franchisor's FDD caused by legal incapacity during the term hereof, or other conduct not due to the gross negligence or intentional misfeasance of Franchisor.

ARTICLE III. TERRITORIAL RIGHTS

3.1 Development Area.

So long as Franchisee's obligations under the Development Schedule are being met on a timely basis and until this Agreement terminates, Franchisor will not itself locate an Outlet, nor allow any other licensee or franchisee to locate an Outlet, within the Development Area. If during the term of this Agreement, Franchisee is unable or unwilling, or fail for any reason (except due to an event of Force Majeure as provided in section 2.3 above), to satisfy the Development Schedule, this Agreement may be immediately terminated upon notice by Franchisor to Franchisee, or Franchisee may be granted an additional period of time in Franchisor's sole discretion to satisfy the Development Schedule. Upon the termination or expiration of this Agreement, Franchisor may, but has no obligation to, open and operate, or license others to (or grant others development rights to) open and operate, Outlets at any site within the Development Area, excluding sites in any protected territory granted to Franchisee or an affiliate of Franchisee's pursuant to the individual Franchise Agreement for each then existing Outlet located in the Development Area.

3.2 Protected Territory under the Franchise Agreements.

Each Franchise Agreement executed pursuant hereto will provide that Franchisor and Franchisor's affiliates may not open or operate, or franchise or license the operation of, any Outlet within the protected territory surrounding the Outlet opened by Franchisee pursuant to such Franchise Agreement.

ARTICLE IV. TERM OF AGREEMENT

4.1. Term.

The term of this Agreement commences on the Effective Date and, unless otherwise negotiated, terminated or extended as provided herein, continues until the date of execution of the Franchise Agreement granting Franchisee the right to open the last Outlet necessary for Franchisee to fully satisfy the Development Schedule.

4.2. Limited Additional Development Right.

If Franchisee desires to engage in further development of the Development Area in excess of the obligations committed to under the Development Schedule, Franchisee 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 Franchisee's desire to develop additional Outlets in the Development Area and 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 will reasonably determine whether such additional development in the Development Area is desirable, and if Franchisor agrees to allow Franchisee to develop additional Outlets, it will be subject to the conditions set forth in section 4.3. This Agreement is not otherwise renewable.

4.3 Conditions to Additional Development by You.

Franchisee's rights to additional development described in section 4.2 are subject to Franchisee's fulfillment of the following conditions precedent:

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

(ii) Franchisee must have demonstrated to Franchisor Franchisee's financial capacity to perform the additional development obligations set forth in the new Area Development Agreement. In determining if Franchisee is financially capable, Franchisor will apply the same criteria to Franchisee as Franchisor applies to prospective franchisees entering into Area Development Agreements at that time.

(iii) At the expiration of each Development Period and at the expiration of the Development Schedule, Franchisee must have opened and must thereafter have continued to operate, in the Development Area, not less than the aggregate number of Outlets then required by the Development Schedule.

(iv) Franchisee and Franchisor must have executed Franchisor's then-current form of Area Development Agreement or equivalent agreement.

(v) Franchisee and all of Franchisee's affiliates that then have a currently effective franchise agreement or multi-outlet agreement with Franchisor must execute and deliver to Franchisor a general release, on a form prescribed by Franchisor, of any and all known and unknown claims against Franchisor and Franchisor's affiliates, and Franchisor's respective officers, directors, agents, shareholders and employees, except for claims resulting from the gross negligence or intentional misfeasance of Franchisor and/or Franchisor's affiliates.

4.4 Effect of Expiration.

Unless an additional development obligation has been agreed upon, and a new Area Development Agreement or equivalent agreement has been executed by the parties pursuant to sections 4.2 and 4.3, following the expiration of the term or the sooner termination of this Agreement, (i) Franchisee will have no further right to construct, equip, own, open or operate additional Outlets that are not, at the time of such termination or expiration, the subject of a then existing Franchise Agreement between Franchisee (or an affiliate of Franchisee) and Franchisor which is then in full force and effect, and (ii) Franchisor or Franchisor's affiliates may thereafter themselves construct, equip, open, own or operate, and license others to (or grant development rights to) construct, equip, open, own or operate Outlets at any location (within or outside of the Development Area), without any restriction, subject only to any territorial rights granted for any then-existing Outlet pursuant to a validly existing Franchise Agreement executed for such Outlet.

ARTICLE V. FEES AND PROCEDURE FOR OPENING OUTLETS

5.1 Development Fee.

When Franchisee sign this Agreement, Franchisee must pay Franchisor, in cash or by certified check, a "Development Fee" of \$ _____, as a fee for Franchisor granting Franchisee the right to open _____ additional Outlets within the Development Area on an exclusive basis (the Development Fee is computed by multiplying (i) the number of additional Outlets required to be opened pursuant to the Development Schedule by (ii) \$25,000. **The Development Fee is not refundable.**

5.2 Initial Franchise Fees for Additional Outlets.

Concurrently with Franchisee's executing this Agreement, Franchisee will be paying Franchisor, in cash or by certified check, an initial franchise fee ("Initial Franchise Fee") equal to \$50,000 for the initial Outlet. For each additional Outlet subsequently opened pursuant hereto, a net Initial Franchise Fee equal to the remainder of (i) the Initial Franchise Fee then being charged by Franchisor to new Gyu-Kaku franchisees (but not to exceed \$50,000) minus (ii) the \$25,000 credit referenced in section 5.1 above) will be payable upon execution by Franchisee of each Franchise Agreement entered into pursuant to this Agreement.

5.3. Procedure for Opening Additional Outlets.

(a) When Franchisee has located a proposed site for construction of an Outlet, Franchisee must submit to Franchisor such demographic and other information regarding the proposed site and neighboring areas as Franchisor may require, in the form prescribed by Franchisor ("Site Review Request"). Franchisor may seek such additional information as Franchisor deem necessary within 30 days of submission of the Site Review Request, and Franchisee must respond promptly to such request for additional information. If Franchisor does not deliver written notice to Franchisee that Franchisor accepts the proposed site within 30

days of receipt of Franchisee's Site Review Request, or within 15 days after receipt of such additional requested information, whichever is later, the site will be deemed rejected. If Franchisor accepts the proposed site Franchisor will notify Franchisee of Franchisor's acceptance of the site.

(b) Promptly following Franchisee's receipt of acceptance, Franchisee must proceed to negotiate a lease or purchase agreement for the site and must submit to Franchisor a copy of the proposed lease or purchase agreement, as applicable. Following Franchisor's receipt of the proposed lease or purchase agreement, as applicable, which meets Franchisor's requirements, Franchisor will notify Franchisee of Franchisor's acceptance of the proposed lease or purchase agreement, as applicable. Franchisor's review and acceptance of any lease for an Outlet is solely for Franchisor's benefit and is solely an indication that the lease meets Franchisor's minimum standards and specifications at the time of acceptance for the Lease (which may be different than the requirements of this Agreement). Such review and acceptance may not be construed as an endorsement of such lease, confirmation that such lease complies with applicable law, or confirmation that the terms of such lease are favorable to Franchisee, and Franchisor hereby expressly disclaims any related responsibility. Franchisor acknowledges that time is of the essence regarding its obligations under this section 5.3(b). Accordingly, Franchisor will review the lease as soon as practicable and if Franchisor takes more than 10 days to review the lease, Franchisee will receive a reasonable amount of additional time to develop the Outlet.

(c) Franchisee will execute a separate Franchise Agreement for each additional Outlet to be developed under this Agreement. The Franchise Agreement for each additional Outlet developed hereunder will be in the form being offered to new Gyu-Kaku franchisees at the time each additional Outlet is developed, which may differ from the terms of other Franchise Agreements that Franchisee has entered into with Franchisor, except that the Initial Franchise Fee payable by Franchisee will not be modified and the other economic terms of the successor agreement will either (i) be the same as the first Franchise Agreement entered into between Franchisor and Franchisee or (ii) have the same economic terms as the then current Franchise Agreement being offered to new Gyu-Kaku franchisees if those are more favorable to Franchisee. Franchisor will provide Franchisee with an FDD at least 14 calendar days before Franchisee sign the Franchise Agreement for each additional Outlet.

(d) Franchisee must not execute any lease or purchase agreement for any Outlet, until Franchisor has accepted the proposed site and Franchisor has delivered to Franchisee a fully executed Franchise Agreement. If Franchisor takes more than 30 days to accept the proposed site, the Development Schedule will be adjusted by extending the dates Outlets are to be opened by the number of days it takes Franchisor to accept the proposed site. After Franchisor's acceptance of the site and lease (or purchase agreement, if applicable), and Franchisor's delivery to Franchisee of the fully executed Franchise Agreement, Franchisee must then procure the site pursuant to the purchase agreement or lease which has been reviewed and accepted by Franchisor, and must forward to Franchisor, within 10 days after its execution, one copy of the executed lease or, if purchased, the deed evidencing Franchisee's right to occupy the site. Franchisee must then commence construction and operation of the Outlet pursuant to the terms of the applicable Franchise Agreement.

5.4 Support Staff.

During the term of this Agreement, Franchisee must maintain an adequate number (as mutually agreed by Franchisee and Franchisor) of support staff in the capacities as reasonably requested by Franchisor to manage the Development Area.

ARTICLE VI. TRANSFER OR ASSIGNMENT

6.1 Assignability.

(a) This Agreement and all rights hereunder may be assigned by a party hereto, and if so assigned, will be binding upon and inure to the benefit of the assignor's assigns; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the obligations of the assignor:

(i) The assignee must be financially responsible and economically and technically capable of performing Franchisee's obligations hereunder.

(ii) The assignee must expressly assume and agree to perform such obligations in writing, delivered to the party hereto not assigning its rights.

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

(c) This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular personal skill, qualifications and trust and confidence reposed in Franchisee by Franchisor. Accordingly, Franchisee may not assign this Agreement unless Franchisee first provides Franchisor with 30 days prior written notice of the assignment containing complete details of the assignee and terms of the assignment, and Franchisor consents to the assignment, which consent will not be unreasonably withheld. Franchisee hereby acknowledges and agrees that the assignee must execute an agreement prepared by Franchisor pursuant to which the assignee assumes and agrees to discharge all of the obligations of Franchisee under this Agreement. At Franchisor's election, the assignee will be required to execute a new Franchise Agreement on Franchisor's then-current form of Franchise Agreement.

6.2 Transfer by Franchisee to Affiliated Corporations.

Franchisee may at any time without Franchisor's consent, but upon 30 days prior written notice to Franchisor, assign and transfer this Agreement or an equity interest in Franchisee's franchised entity to a corporation, limited liability company or other business entity that is (i) organized for the purpose of operating the business for which Franchisee is franchised and licensed hereunder and (ii) entirely owned by such natural person, sole proprietorship or partnership, as the case may be, 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 and that the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement. Such assignment and transfer must be evidenced by a written instrument, in form reasonably satisfactory to Franchisor, under which said business entity expressly assumes all of Franchisee's obligations hereunder, whether accrued at the time of such assignment or arising thereafter, and agrees to be bound by all the terms and provisions of this Agreement to the same extent and in the same manner as Franchisee is. A copy of said instrument, executed by both Franchisee and said business entity must be promptly delivered to Franchisor.

6.3 Transfer by Franchisee to Certain Family Members.

Franchisee or a principal owner, if a natural person, may with Franchisor's consent, which will not be unreasonably withheld, transfer Franchisee's rights under this Agreement to such person's spouse or person having equivalent rights under applicable federal or state law, parent, sibling, niece, nephew, descendant or spouse's descendant provided that the transferee is financially responsible and economically and technically capable of performing Franchisee's obligations hereunder and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement.

ARTICLE VII. NON-COMPETITION

7.1 Definition of Competitive Activities.

The term "Competitive Activities" means to own, operate, lend to, advise, be employed by or have any financial interest in (i) any Asian barbeque-style restaurant or other retail outlet; (ii) any restaurant or other retail outlet that offers customers the opportunity to cook or heat food items with an in-table or on-table grill or other heating element; (iii) any restaurant business that uses a system of in-table or on table down-draft exhaust ventilation; or (iv) any business that engages in the production or sale at retail or wholesale of any (A) Japanese food product, (B) Asian-style food products or (C) other featured menu item which is now or in the future an authorized Gyu-Kaku products, other than a Outlet operated pursuant to a validly existing franchise agreement with Franchisor. Notwithstanding the foregoing, "Competitive Activities" will not include the direct or indirect ownership by Franchisee or any Principal Equity Owner solely as an investment, of securities of any entity that are traded on any national securities exchange if the applicable owner thereof (i) is not a controlling person of, or a member of a group which controls, such entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such entity.

7.2 Restriction on In-Term Competition.

During the term of this Agreement, neither Franchisee nor any Principal Equity Owner may in any capacity, either directly or indirectly, through one or more affiliates or otherwise, (i) operate or assist in the operation of any Japanese restaurant, (ii) engage in any Competitive Activities at any location, whether within or outside the Development Area, unless Franchisor consent thereto in writing, or (iii) divert or attempt to divert any business or any customers of Outlets licensed to Franchisee to any other person or entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Gyu-Kaku trademarks.

7.3 Restriction on Post-Term Competition.

To the extent permitted by applicable law, upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any assignment by Franchisee, or (iii) the cessation of any Principal Equity Owner's relationship with Franchisee, Franchisee and/or each person who was a Principal Equity Owner before such event must not, for a period of 24 months thereafter, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any Japanese restaurant or other business engaged in Competitive Activities within the Development Area, without Franchisor's prior written consent. In applying for such consent, Franchisee and/or each applicable Principal Equity Owner will have the burden of establishing that any such activity by Franchisee and/or each applicable Principal Equity Owner will not involve the use of benefits provided under this Agreement or constitute unfair competition with Franchisor or other franchisees of Franchisor.

7.4 Website and Unauthorized Advertising.

During the term of this Agreement, neither Franchisee nor any Principal Equity Owner may establish a website or register an Internet domain name using, or otherwise advertise on the Internet or anywhere else, the trademark "Gyu-Kaku", or any other trademarks of Franchisor, or marks similar to "Gyu-Kaku", or any combination or derivations thereof, or any other trademarks of ours, except as specifically authorized by Franchisor in writing.

7.5 Employment Practices.

During the term of this Agreement, and for a period of 12 months thereafter, Franchisee must not solicit for employment any person who is at the time employed by Franchisor, and Franchisor will not solicit for employment any person who is at that time employed by Franchisee, nor may Franchisee or Franchisor otherwise directly or indirectly induce or attempt to induce any such person to leave his or her employment as aforesaid.

ARTICLE VIII. REPRESENTATIONS RESPECTING STATUTORY COMPLIANCE

8.1 Patriot Act.

Franchisee represents and warrants that 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 the International Money Laundering Abatement and Anti-Terrorist Financing Act ("Patriot Act") and any amendments or successors thereto.

8.2 Foreign Assets Control.

Franchisee represents and warrants that neither Franchisee nor any Principal Equity Owner (nor any employees of Franchisee or a Principal Equity Owner) 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 on the Internet at "www.treas.gov/offices/enforcement/ofac/sdn/". Franchisee hereby represents that Franchisee is neither directly nor indirectly owned nor controlled by the government of any country that is subject to a United States embargo. Franchisee and the Principal Equity Owners hereby represent that none of them act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. Franchisee and the Principal Equity Owners jointly and severally agree that Franchisee will notify Franchisor in writing immediately of the occurrence of any event that renders the representations of this section 8.2 incorrect.

8.3 Advice of Counsel.

Franchisee and the Principal Equity Owners jointly and severally represent that they understand and have been advised (or had adequate opportunity to be advised) by legal counsel on the requirements of the applicable laws referred to in this Article VIII, including the United States Foreign Corrupt Practices Act (currently located at www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at www.epic.org/privacy/terrorism/hr3162.html), and hereby acknowledge the importance to Franchisor, the Gyu-Kaku system and the parties' relationship of their respective compliance with any requirement to report or provide access to information to Franchisor or any government that may be required by applicable law. Franchisee and the Principal Equity Owners must take all reasonable steps to require Franchisee's consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

8.4 Compliance with Other Laws and Regulations.

Franchisee and the Principal Equity Owners must strictly comply with (i) all applicable laws, ordinances, regulations, rules, orders or suggestions of any governmental or quasi-governmental entity, body, agency, commission, board, or official applicable to Franchisee's business and (ii) the high and uniform quality standards of Franchisor's system. Nothing herein will prevent Franchisee from engaging in a *bona fide* contest of the validity or applicability thereof in any manner permitted by law.

ARTICLE IX. DEFAULT AND TERMINATION

9.1 General.

This Agreement may be terminated by Franchisor if Franchisee (i) fails to substantially comply with any obligation, duty or promise under this Agreement, after being given a notice of default and reasonable opportunity to cure the default (no more than 30 days), or (ii) fails to open an Outlet within the time specified in the Development Schedule, or (iii) is in material breach of any Franchise Agreement entered into with Franchisor.

9.2 Operation of Opened Outlets after Termination or Expiration.

If Franchisor terminates this Agreement for the reasons described in section 9.1 above, Franchisee will be able to maintain ownership and operation of the Outlets which Franchisee has developed so long as Franchisee is not in material breach of the respective Franchise Agreements; however, Franchisee will forfeit any rights to the balance of the Development Area that had been set aside for development by Franchisee pursuant to this Agreement, and Franchisee will forfeit the balance of the Option Fee to be applied as credits against the Initial Franchise Fee for Outlets that were not developed.

ARTICLE X. DISPUTE RESOLUTION

10.1 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, Franchisor and Franchisee acknowledge that Franchisor and Franchisee need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communication between Franchisor and Franchisee are important aspects of that obligation. Franchisor and Franchisee 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 Franchisee's Principal Equity Owners meet in person within five business days after a party notifies the other party that a Dispute has arisen at Franchisor's principal executive office (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 10.1, the other party may immediately commence an arbitration proceeding pursuant to section 10.2 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section 10.1(a) 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 conducted by and before a mediator, and at a location, mutually agreeable to both parties; provided however the mediator must be an attorney 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 10.2 below. Any mediation proceedings may take place at any mutually agreed location in California and should be completed within 90 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.

10.2 Arbitration.

(a) 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 10.1 above will be resolved through binding arbitration by and before JAMS, Inc. ("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 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 10.2.

(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 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. Otherwise, no affidavits, interrogatories, depositions or other discovery is permitted. 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 trademark 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 ANY AND 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 10.2 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 10.2 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: _____]**

10.3 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 10.1 and 10.2 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 10.2 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 10.1 or 10.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 10.3. Franchisee acknowledges that it is one of a number of licensed franchisees using the Marks and 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 or other affiliated persons or entities, and Franchisor or Franchisor's affiliates are empowered to seek injunctive relief to protect the trademarks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

10.4 Attorney Fees and Expenses.

If any party to this Agreement brings any arbitration, action or proceeding for any relief against another party, declaratory or otherwise, arising out of this Agreement, the losing party must pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such arbitration, action or proceeding and/or enforcing any judgment granted therein, all of which will be deemed to have accrued upon the commencement of such arbitration, action or proceeding. Any judgment or order entered in such action or proceeding must contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party will be determined by the Trier of fact. For the purposes of this section 10.4, attorney fees will include fees incurred in the following: (i) post-judgment motions; (ii) contempt proceedings; (iii) garnishment, levy, debtor and third-party examinations; (iv) discovery; and (v) bankruptcy litigation. This section 10.4 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.

10.5 Survival.

The terms of this Article 10 survive termination, expiration or cancellation of this Agreement.

ARTICLE XI. MUTUAL INDEMNIFICATION

11.1 Franchisee's Indemnification of Franchisor.

Except as otherwise expressly provided herein, Franchisee hereby agrees to protect, defend (by counsel selected by Franchisee and reasonably acceptable to Franchisor) and indemnify Franchisor, Franchisor's parent companies, subsidiaries, affiliates and designees and hold each and all of them harmless from and against any and all costs and expenses actually incurred by any of them or for which any of them are liable, including attorney fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature, and including those incurred pursuant to a settlement entered into in good faith, arising out of or in connection with claims brought by third parties regarding this Agreement, including, without limitation, any claim or controversy arising out of (i) any transfer by Franchisee referred to in Article VI hereof, (ii) Franchisee's acts or omissions which are not in strict compliance with this Agreement and the Gyu-Kaku Owner's Manual regarding the use or display of Franchisor's trademarks, or (iii) Franchisee's acts or omissions which tend to create an impression that the relationship between the parties hereto is other than franchisor and franchisee. Notwithstanding the foregoing, Franchisee will have no indemnification obligation regarding any such costs or expenses which are the result of Franchisor's malicious, willful or negligent conduct.

11.2 Franchisor's Indemnification of Franchisee.

Except as otherwise expressly provided herein, Franchisor hereby agrees to protect, defend (by counsel selected by Franchisor) and indemnify Franchisee, Franchisee's parent companies, subsidiaries, affiliates, shareholders, members, officers, directors, employees, agents, attorneys, and designees and hold each and all of them harmless from and against any and all costs and expenses actually incurred by any of them or for which any of them are liable, including attorney's fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature, and including those incurred pursuant to a settlement entered into in good faith, arising out of or in connection with claims brought by third parties regarding (i) Gyu-Kaku Products, (ii) Gyu-Kaku trademarks, trade names or other intellectual property which are associated with the Outlets, or (iii) Franchisor's acts or omissions which are not in strict compliance with this Agreement. Notwithstanding the foregoing, Franchisor will have no indemnification obligation regarding any such costs or expenses which are the result of Franchisee's malicious, willful or negligent conduct.

ARTICLE XII. GOVERNING LAW

12.1 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs the arbitration of disputes under this Agreement. Otherwise, the law of the state where Franchisee's principal business office is located governs the terms of this Agreement, without regard to conflicts of laws. If any provision of this Agreement is impermissible under the applicable 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.

ARTICLE XIII. NOTICES

13.1 Notices.

All notices that the parties hereto may be required or may desire to give under or in connection with this Agreement must be in writing and must either be delivered in person or sent by a reliable courier service, for delivery on the next business day and addressed as follows:

(i) If to Franchisor, to:

REINS USA FRANCHISE COMPANY, INC.
20000 MARINER AVE STE 500
TORRANCE CA 90503-1670
Phone: 310-214-9572

(ii) If to Franchisee, to:

Phone:

The addresses herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided.

13.2 When Notice Deemed Given.

Notices will be deemed given on the earlier of (i) the next business day after deposit with such reliable overnight delivery service or (ii) when otherwise delivered.

ARTICLE XIV. GENERAL CONDITIONS AND PROVISIONS

14.1 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.

14.2 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.

14.3 Entire Agreement.

This Agreement contains all terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof, provided however, that nothing in this sentence is intended to disclaim the representations made in the Franchise Disclosure Document that was provided to Franchisee by Franchisor. 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. Franchisee agrees that it has executed this Agreement without reliance upon any such unauthorized representation or promise.

14.4 Modification.

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

14.5 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, 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.

14.6 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.

14.7 Number and 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.

14.8 Severability.

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement thus affected will be

curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be deemed appropriately modified, and the remaining parts thereof will continue in full force and effect, unless said provision pertains to the payment of fees pursuant hereto, in which case this Agreement will terminate.

14.9 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 will be entitled to any rights hereunder because of so-called "third party beneficiary rights" or otherwise.

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

FRANCHISEE:

By: _____

[PRINTED NAME AND TITLE]

FRANCHISOR:

REINS USA FRANCHISE COMPANY, INC.

By: _____
Ryo Tozu, Chief Executive Officer

EXHIBIT 1 - DEVELOPMENT SCHEDULE

The Initial Outlet is being opened in _____ under a concurrently signed Franchise Agreement. Additional Outlets will be opened at sites that Franchisor have reviewed and consented to, all of which will be located in the Development Area described [] in the map attached to this Exhibit 1 or [] as follows:

Franchisee must open and maintain the number of Outlets in the Development Area in accordance with the following schedule (if more than 5 Outlets are committed to be opened, the schedule will be expanded appropriately):

NUMBER OF OUTLET	DATE BY WHICH LEASE FOR OUTLET MUST BE SIGNED	DATE BY WHICH OUTLET MUST BE OPEN AND OPERATING
1		
2		
3		
4		
5		

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

GYU-KAKU

**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 Business Oversight
1515 K St., Ste. 200
Sacramento, CA 95814
(916) 445-7206

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) 416-8236

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 Business Oversight
1515 K St., Ste. 200
Sacramento, CA 95814-4052
(916) 445-7206

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

GYU-KAKU

STATEMENT OF FRANCHISEE

EXHIBIT G

STATEMENT OF FRANCHISEE

Reins USA Franchise Company, Inc. and you are entering into a Franchise Agreement under the terms of which you will operate a Gyu-Kaku franchise outlet. The purposes of this Statement of Franchisee are (i) to verify compliance with franchise disclosure legal requirements and (ii) to determine whether any statements or promises were made to you that we did not authorize or that may be untrue, inaccurate or misleading. *This Statement of Franchisee must be completed, signed and dated on the same day you sign your initial Gyu-Kaku Franchise Agreement.* (However, this Statement of Franchisee does not apply to any Franchise Agreement for an additional outlet being opened under an Area Development Agreement.)

A. The following dates are true and correct:

- | | | |
|----------------------------|---------------------|--|
| 1. _____, 20____
(Date) | _____
(Initials) | The date on which I received a Franchise Disclosure Document ("FDD") about the Gyu-Kaku franchise. |
| 2. _____, 20____
(Date) | _____
(Initials) | The date on which I signed the Gyu-Kaku Franchise Agreement (must be at least 15 days after the date in A.1 above). |
| 3. _____, 20____
(Date) | _____
(Initials) | The earliest date on which I delivered cash, check or other consideration to a Gyu-Kaku franchise sales representative (must be at least 15 days after the date in A.1 above). |

B. Representations:

1. No oral, written or visual claim or representation which contradicted or was not disclosed in the Gyu-Kaku FDD was made to me, except:

Initial: _____
(If none was made, you must write "none").

2. Other than any financial performance representations contained in Item 19 of the Gyu-Kaku FDD, Reins USA Franchise Company, Inc. made no oral, written or visual claim or representation which stated or suggested any financial performance, sales, income or profit levels to me, except:

Initial: _____
(If none was made, you must write "none").

The authorized signers below (on our behalf) certify the above is true and correct to the best of their knowledge.

Franchisee

By: _____ Date: _____

By: _____ Date: _____

GYU-KAKU

APPENDIX FOR CALIFORNIA FRANCHISEES

APPENDIX FOR CALIFORNIA FRANCHISEES

1. California Business and Professions Code sections 20000 through 20043 (the "Act") provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.

2. Section 31125 of the California Corporations Code requires the franchisor to give you a disclosure document, in a form and containing information that the Commissioner of the Department of Business Oversight may by rule or order require, before solicitation of a proposed material modification of an existing franchise.

3. The Franchise Agreement requires binding arbitration. The arbitration will occur in Los Angeles County, California with the costs being borne equally by both parties but reimbursable to the prevailing party. 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 provision of a franchise agreement that restricts venue to a forum outside of California.

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

5. The Franchise Agreement contains a covenant not to compete that extends beyond the termination or transfer of the franchise. This provision may not be enforceable under California Law.

6. The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

7. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.

8. 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.

9. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

10. Neither the franchisor, nor any person or franchise broker listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. §78A *et seq.*, suspending or expelling such persons from membership in such association or exchange.

GYU-KAKU

RECEIPTS

EXHIBIT I

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 Reins USA Franchise Company, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Reins USA Franchise Company, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the California Department of Business Oversight at any of its offices.

We have no franchise brokers. The names, address and telephone number of the franchise sellers for this offering are Mr. Masaki Koyama and Mr. Akitsugu Yamaguchi, 20000 Mariner Avenue, Suite 500, Torrance, California 90503; telephone (310) 214-9572.

Date of Issuance: February 13, 2019.

Reins USA Franchise Company, Inc. authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated February 13, 2019, that included the following Exhibits:

- "A" Franchise Agreement
 - Exhibits to Franchise Agreement:*
 - Exhibit 1: Territory
 - Exhibit 2: Names and Addresses of Principal Equity Owners
 - Exhibit 3: Guaranty of Principal Equity Owners
- "B" Financial Statements
- "C" List of Franchise Outlets
- "D" List of Terminated Franchises
- "E" Area Development Agreement
 - Exhibit to Area Development Agreement:*
 - Exhibit 1: Development Schedule
- "F" State Franchise Administrators and Agents for Service of Process
- "G" Statement of Franchisee
- "H" Appendix for California Franchisees
- "I" 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 keep it for your records

RECEIPT

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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 to Reins USA Franchise Company, either by mail to 20000 Mariner Avenue, Suite 500, Torrance, California 90503 or by e-mail to franchise@gyu-kaku.com.