

FRANCHISE DISCLOSURE DOCUMENT



**Reins USA Franchise Company, Inc.
dba Gyu-Kaku**

a California Corporation

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Reins USA Franchise Company, Inc. offers franchises for the operation of Japanese style “yakniku” 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 estimated investment necessary to begin operation of a Gyu-Kaku franchise unit franchise range is \$1,215,444 to \$2,606,540. This includes \$66,500 to \$106,500 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.

Issuance Date: **May 25, 2023**

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risk be highlighted:

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

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

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

REINS USA FRANCHISE COMPANY, INC.
DBA GYU-KAKU
FRANCHISE DISCLOSURE DOCUMENT

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Exhibits

"A"	Franchise Agreement <i>Exhibits to Franchise Agreement:</i> Exhibit 1: Territory and Location of Outlet Exhibit 2: Names and Addresses of Principal Equity Owners Exhibit 3: Guarantee of Franchise Agreement
"B"	Financial Statements
"C"	List of Franchise Outlets
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"H"	Franchise Operator Construction Management Agreement
"I"	State Effective Dates
"J"	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. All persons who own 10% or more of the franchisee are “Principal Equity Owners”.

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 “Gyu-Kaku” and “Gyu-Kaku Japanese BBQ”. We do not do business under any other names.

Agent for Service of Process

Our agents for service of process are Akitsugu Yamaguchi, whose address is 20000 Mariner Avenue, Suite 500, Torrance, California 90503 and (if you are in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin) the state office or official listed in Exhibit E of this disclosure document.

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 to 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.

You will sign a Franchise Agreement (the current form is attached as Exhibit A) to operate a single Licensed Restaurant at a location which you choose and which we accept. Each of your Principal Equity Owners 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 Principal Equity Owners.

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. Some localities require that at least one certified food handler be present during all operating hours. You must investigate, learn about, and comply with all laws applicable to the franchised business and obtain and maintain all permits and licenses required by governmental entities or agencies in your specific area. You should become thoroughly familiar with the legal requirements of the food services industry in your area, consulting with your own attorney, before you sign any contract or make any investment with us. Although you are not engaged to act as our sales agent to recruit third-party franchisees, before you ever do so, you may need to be registered as a sales agent under state franchise laws.

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 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 January 31, 2023, RIU (or companies affiliated with RIU) operate [?] “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).

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. He also serves as Franchise Regional Manager for RIU, overseeing restaurant chain training and assisting in operations (since January 2013).

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

The “Initial Franchise Fee” is \$50,000, one half of which (\$25,000) is due and payable when you sign your Franchise Agreement. This portion of the Initial Franchise Fee is not refundable. You will have six months after the “Effective Date” of your Franchise Agreement to secure a lease for the Licensed Restaurant in the “Reserved Area” defined in Exhibit 1 of the Franchise Agreement. If you are unable to secure a lease for the Licensed Restaurant within six months after the Effective Date, you may either extend the exclusive rights to the Reserved Area for an additional three months by paying a nonrefundable extension fee of \$15,000, or the exclusive Reserved Area will lapse, and other Gyu-Kaku Restaurants may be opened by other Gyu-Kaku franchisees or affiliates of Franchisor.

When you execute a lease for the Licensed Restaurant, you must pay us the remaining half of the Initial Franchise Fee (\$25,000). We will refund this portion (\$25,000) 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 six 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 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. The Initial Franchise Fee is uniform for all franchises which we presently offer in this State.

If you fail to sign a Franchise Agreement within 90 days after you receive this disclosure document, we will withdraw our offer to grant you a franchise under this disclosure

document. However, you may extend the time for you to sign a Franchise Agreement and to accept the offer of franchise under this disclosure document by paying us a nonrefundable extension fee of \$5,000.

When you sign a Franchise Agreement, you will also sign either (i) a Brand Standards Agreement and you would pay us a fee of \$10,000 for direct assistance in the construction of your Licensed Restaurant provided by us or our parent entity RIU, or (ii) a Franchise Operator Construction Management Agreement and you would pay RIU a fee of \$35,000 for full management services relating to the construction of your Licensed Restaurant. If you are unable to sign a lease and begin construction of your Licensed Restaurant, these fees would be refunded to you. Otherwise, these fees are not refundable.

During the first seven to 14 days before the opening date of your Licensed Restaurant, we will provide you with assistance in the opening process by two of our representatives. You must reimburse us the aggregate costs of airfare, lodging, meals and car rental for our representatives, which will range from \$6,500 to \$21,500. These reimbursed expenses are not refundable.

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 annual Gross Sales 4.5% on annual Gross Sales from \$1,500,000.01 to \$2,000,000 4% on annual Gross Sales of \$2,000,000.01 or more	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

Name of Fee¹	Amount	Due Date	Remarks
Continuing Royalty ² [continued]			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. At least one Principal Equity Owner must attend the convention and you are responsible for all transportation, lodging and other related costs of your attendees, which are not included in this fee.
Late Charge ³	Bank fees of \$50, plus interest at an annual percentage rate ("APR") of 18% (or the highest APR allowed by law in the state where the Licensed Restaurant is located, if less), 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 most 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. Outlets that are under common ownership with Franchisor will have the same voting power as franchisees on any fees imposed by franchisee cooperatives. They will not have controlling voting power.

Name of Fee¹	Amount	Due Date	Remarks
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 location 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	\$50 per day 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 least seven days' notice before we conduct an inspection.
Franchise Agreement Extension Fee	\$5,000	Not later than 90 days after you receive this franchise disclosure document	Your right to sign a Franchise Agreement under this disclosure document expires 90 days after your receipt of the disclosure document. To extend this right for an additional 90 days, you must pay this extension fee.
Lease Signing Extension Fee	\$15,000	Not later than six months after you sign your Franchise Agreement	If a lease agreement is not made within six months from signing the Franchise Agreement, you will have two options. First option, you may extend the exclusive rights on the area for three months for \$15,000 non-refundable fee. Second, you may give up exclusive rights to the area potentially opening up the area for other new franchisees.
Renewal Fee	\$5,000	Not later than 30 days before the expiration date of your Franchise Agreement	Payable only if you exercise your renewal option. You are qualified for renewal if you are in full compliance with your operating requirements, all fees due are paid, you are not in breach of any term of your Franchise Agreement, and you sign our new form of Franchise Agreement (which will replace your expiring Franchise Agreement).
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 three or more years; or (iii) an employee of a Restaurant of five 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.
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.

Name of Fee¹	Amount	Due Date	Remarks
Audit	Cost of audit plus interest at an APR of 18% (or the highest APR allowed by law in the state where the Licensed Restaurant is located, if less) on underpayment 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 18% (unless interest rates in the state in which your Licensed Restaurant is located are limited by law to a lower APR, in which case that lower APR will apply), 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

YOUR ESTIMATED INITIAL INVESTMENT

[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
Construction Assistance (3)	\$10,000	\$35,000	Lump Sum	When Franchise Agreement Is Signed.	Us or RIU
Equipment, Furniture, Fixtures and Signage	\$135,052	\$164,256	As Arranged	Before Opening	Suppliers
Computers and Telecommunications (4)	\$23,038	\$28,850	As Arranged	Before Opening	Suppliers
Initial Opening Assistance by Franchisor (5)	\$6,500	\$21,500	As Incurred	First 10 Days After Opening	Us
Pre-Opening Labor	\$26,600	\$31,590	As Incurred	Before Opening	Employees
Travel and Living Expenses (6)	\$11,000	\$23,500	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	\$15,895	\$20,455	As Arranged	Before Opening	Suppliers
Insurance Deposits and Premiums (7)	\$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.
Additional funds – 3 months (8)	\$15,000	\$60,000	As Arranged	As Incurred	Employees, Suppliers, utilities, etc.
TOTAL (9)	\$1,215,444	\$1,504,591			

[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
Construction Assistance (3)	\$10,000	\$35,000	Lump Sum	When Franchise Agreement Is Signed.	Us or RIU
Equipment, Furniture, Fixtures and Signage	\$210,480	\$257,254	As Arranged	Before Opening	Suppliers
Computers and Telecommunications (4)	\$26,568	\$32,472	As Arranged	Before Opening	Suppliers
Initial Opening Assistance by Franchisor (5)	\$6,500	\$21,500	As Incurred	First 10 Days After Opening	Us
Pre-Opening Labor	\$51,680	\$52,046	As Incurred	Before Opening	Employees
Travel and Living Expenses (6)	\$11,000	\$23,500	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	\$27,890	\$35,833	As Arranged	Before Opening	Suppliers
Insurance Deposits and Premiums (7)	\$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.
Additional funds – 3 months (8)	\$15,000	\$60,000	As Arranged	As Incurred	Employees, Suppliers, utilities, etc.
TOTAL (9)	\$1,518,828	\$1,922,945			

[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
Construction Assistance (3)	\$10,000	\$35,000	Lump Sum	When Franchise Agreement Is Signed.	Us or RIU
Equipment, Furniture, Fixtures and Signage	\$281,168	\$343,651	As Arranged	Before Opening	Suppliers
Computers and Telecommunications (4)	\$30,679	\$37,497	As Arranged	Before Opening	Suppliers
Initial Opening Assistance by Franchisor (5)	\$6,500	\$21,500	As Incurred	First 10 Days After Opening	Us
Pre-Opening Labor	\$58,900	\$67,528	As Incurred	Before Opening	Employees
Travel and Living Expenses (6)	\$11,000	\$23,500	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	\$35,807	\$45,893	As Arranged	Before Opening	Suppliers
Insurance Deposits and Premiums (7)	\$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.
Additional funds – 3 months (8)	\$15,000	\$60,000	As Arranged	As Incurred	Employees, Suppliers, utilities, etc.
TOTAL (9)	\$2,063,934	\$2,606,540			

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.

(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) When you execute a Franchise Agreement, you sign either (i) a Brand Standards Agreement, under which you would pay us \$10,000 and we and our parent entity RIU would provide direct assistance in the construction of your Licensed Restaurant, or (ii) a Franchise Operator Construction Management Agreement, under which you would pay RIU \$35,000 and RIU would provide full management services relating to the construction of your Licensed Restaurant. These services provided by us and our parent entity RIU under these agreements are sometimes collectively referred to in this disclosure document as "Construction Assistance".

(4) You must obtain and use an Aloha point-of-sale ("POS") system and related computer hardware and software (the software includes NCR Aloha Command Center, Back Office and Pulse applications). We reserve the right to add, remove, or change required hardware and software with reasonable notice.

(5) We will provide you with opening assistance by our representatives during the first seven to 10 days after the opening date of your Licensed Restaurant. For first time franchise owners, additional assistance will be provided during the first seven to 14 days before your opening date. These charges represent the aggregate costs of airfare, lodging, meals and car rental for two representatives.

(6) 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 out of town person for 90 consecutive days in Los Angeles, California.

(7) 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 obtain the insurance coverage required by the Franchise Agreement from a carrier that we approve (must have a rating of "A VII" or better issued by A. M. Best Company). You must maintain insurance of the types and minimum amounts (naming us as an additional insured) that we specify in the Manual. To the extent permissible under law, these insurance requirements may be satisfied with a combination of primary, umbrella or excess policies. All insurance policies will name you as named insured and (excepting Workers' Compensation insurance policies) 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. The costs of premiums will vary based on location of the Licensed Restaurant and any prior claim history. The required coverage and limits are subject to change. You may obtain additional insurance as you desire.

(8) Although we do not require minimum funds for you to start your business, there are some expenses you will incur when you begin your franchise operations, such as inventory, supplies and employees. It is always a good idea to have some cash reserves available to cover initial operating expenses. This estimates the additional funds you will need for your first three months of operation. These expenses include payroll costs. We relied on the 20 years of related business experience of our Chief Operating Officer in determining these figures.

(9) 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 six-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.

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 in the design and build out of your Licensed Restaurant. We (or our parent entity RIU) will provide you Construction Assistance and (when you execute a Franchise Agreement) you must sign either the Brand Standards Agreement or (for a higher fee and more services) the Franchise Operator Construction Management Agreement. We or RIU 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. 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 assist you by providing standard construction contracts, vendor agreements and related documents for review by your attorney or other professional advisors.

If you sign the Franchise Operator Construction Management Agreement, our parent entity RIU 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. RIU will then work with you to select the best qualified and cost-effective contractors and vendors for your project. RIU will then assist with managing the construction process with scheduling, requests for information and change order review and response, weekly reporting and quality control.

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 (or 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 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.

You must obtain and maintain in force insurance coverage required by the Franchise Agreement of the types and minimum amounts (naming us as an additional insured) that we specify in the Manual. from an insurance company that we approve (must have a rating of "A VII" or better issued by A. M. Best Company). The currently required minimum coverage and limits of insurance are (i) comprehensive general liability insurance with limits of at least \$2,000,000 per occurrence and \$3,000,000 aggregate, (ii) business interruption insurance with coverage limits equal to at least one year of your actual (or projected if you have not been open for one year) gross profits, (iii) workers' compensation insurance to meet the statutory coverage of the state where your Outlet is located, and (iv) Non-Owned Automobile Insurance for your employees, which covers you if an employee is in an accident in their personal automobile while driving for you, with limits of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

Franchisor or its Affiliates Acting as Approved Suppliers

Currently, you must purchase and maintain in stock in quantities needed to meet reasonably anticipated consumer demand 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 formulas only from RIU or another supplier we designate, and you may be obligated to make a prepayment of the purchase price. 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 specific 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.

Revenue from Franchisee Purchases

In our fiscal year that ended January 31, 2023, 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 will 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.

Neither we nor our parent RIU have yet received any revenues from Construction Assistance through January 31, 2023, but we anticipate doing so later in 2023.

Payments to us, our designees, and our approved suppliers, or under our specifications (i) in establishing your Licensed Restaurant will range from 72% to 90% 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	3.1, 4.5.3, 6.1.1, 6.1.3, 7.5	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 - 7.14	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 – 12.6	17
x.	Dispute resolution	18.1 – 18.5	17
y.	Other	12.5.2, 12.5.3	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.

Pre-Opening 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). You must purchase "Gyu-Kaku Brand Products" (defined as pre-packaged dipping sauces, marinades, dressings and books, clothing, souvenirs and novelty items containing the Gyu-Kaku trademarks) either from us, our designees or other vendors with our prior written approval. We provide written specifications for equipment, signs, fixtures, opening inventory and supplies and the names of approved suppliers in the Manual. We do not deliver or install any of those items.

(5) Assist you in selecting a site for your Licensed Restaurant. If you have not yet 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. If a lease agreement is not made within six months from signing the Franchise Agreement, you will have two options. First option, you may extend the exclusive rights on the area for three months for \$15,000 non-refundable fee. Second, you may give up exclusive rights to the area potentially opening up the area for other new franchisees. 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.

(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, and assuming the lease to the new restaurant site is agreed upon and executed within a reasonable amount of time. 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 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.

Post-Opening Assistance

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 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 are deposited into our separate Brand Development Fund account (no interest on the amounts on deposit is imputed for your benefit or paid to you), 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. The Brand Development Fund is not audited.

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; possible retention of an advertising or public relations agency; and reimbursement to us or our Affiliate for internal expenses incurred to manage, administer, direct and operate the Brand Development Fund. If we do not expend all Advertising Fees in the fiscal year in which they accrue, the amount remaining is retained for future advertising. If you request this in writing on or before March 31, we will provide you within 30 days an unaudited statement describing the annual receipts and expenditures of the Brand Development Fund during the fiscal year that ended on January 31.

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. We are not required to spend any Advertising Fees or any other amount on advertising or promotion in your area or franchised territory, although we may do so. 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 we will provide this information to you if you request it (Franchise Agreement, Section 8.3). In our fiscal year that ended January 31, 2023, we collected \$1,674,138 in Advertising Fees from our franchisees and spent \$1,096,113 on authorized retail brand advertising as follows: 17% on the production of advertisements and other promotional materials, 18% for media placement, and 65% for administrative expenses for the franchisor.

You are not required to participate in a local or regional advertising cooperative, and we are not presently involved in any advertising cooperative.

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 in and near your territory ("Local Advertising") of your Licensed Restaurant, conforming to our specifications in the Manual (Franchise Agreement, Section 8.1). 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).

You are obligated to maintain and occasionally refurbish the Outlet to conform to our currently effective "Trade Dress" (as defined in the Franchise Agreement) and color standards for Gyu-Kaku Licensed Restaurants. This maintenance and refurbishment may require expenditures by you on structural changes, installing new equipment, remodeling, redecoration and modifications, or to accommodate new Gyu-Kaku menu items. You must maintain all equipment and furnishings used at the Licensed Restaurant in good working order and make repairs or perform maintenance as needed. You also must make all upgrades to equipment and any technology used in the Licensed Restaurant that we may require, and we may periodically require you to update the Trade Dress (possibly including installation of new color schemes, logos, signage or other visual elements) used at the Licensed Restaurant. Details on Trade Dress updates will be contained in the Manual or as otherwise provided to you in writing. We anticipate that Trade Dress updates will be required no more frequently than once every five years (see section 5.5.2 of the Franchise Agreement).

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, social media page, bulletin board, metatag, newsgroup or other Internet related medium or activity) that uses our name or the Marks without our express written consent, or as expressly permitted in our Manual. We may include on our Internet website 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. 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 independent access to the information and data generated and stored on your Information Systems.

Neither we nor any affiliate has an obligation to provide ongoing maintenance, repairs, upgrades or updates to the system. You may obtain support and 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 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

Topic	Number of Pages
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
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 the Initial Training Program to our satisfaction. You may not begin operating your Licensed Restaurant using our Marks or System until you have completed the Initial Training Program. The Initial Training Program will consist of approximately eight to 12 weeks of training for your Operating Principal and approximately eight weeks of training for your Restaurant Managers. 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 initial training instructors are Masaki Koyama, who has been with us since 2013 (and who has 20 years of experience in the subject matters he teaches). The principal instructor is 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. You must follow up on and stay current on various training courses we may provide (online, in writing, or other format if presented) and you must continually share with us (through programs, conferences or other channels of communication that are described in the Manual or otherwise by us in writing) your operational performance levels related to the ongoing operations of the restaurant, including menu or recipe updates, new standard operating procedures, seasonal and limited time offer promotions.

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 you this 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, through online course modules or in person 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).

We have established an employee certification and re-certification program, and you and your employees that we designate must complete this program to our satisfaction. The employee certification program is periodically reviewed and updated by us to meet our then current standards of operations and the portions of the Manual to which it applies. The employee certification program consists 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 they have 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 designated territory (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. 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 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.

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 do not currently, nor do we have any plans in the future to, operate or franchise businesses under a different trademark that will sell goods or services like those you will offer. However, we expressly reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems, and 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 Territory, 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 Territory), 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.

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. This trademark registration was renewed with the USPTO on April 22, 2014.

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. Franchisor or our parent RIU has filed all required affidavits.

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 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 always maintain your copy of Manual with current information, 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.

You must immediately notify us if you become aware of any infringement or inappropriate use of the Manual. We will then take whatever action we deem appropriate, and will control any litigation, to protect our copyright in the Manual. You will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without our prior written consent. We will defend, compromise or settle at our discretion any claim, suit or demand relating to our copyrights and take steps to stop misuse at our cost and expense, using attorneys selected by us, and you agree to cooperate fully in such matters. If the infringement or inappropriate use results from your negligence or willful action, you must reimburse us all our expenses in protecting our copyright. Otherwise, we will indemnify you and hold you harmless from and against all judgments resulting from any claim, suit or demand arising from your authorized and use of the copyrights in accordance with the terms of the Franchise Agreement.

We do not currently have any pending patent applications that are material to the franchise.

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. 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.

The Franchise Agreement grants us the right at any time to use the name, image and likeness of you and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, any Gyu-Kaku retail location and the Gyu-Kaku System, without any form of compensation or remuneration.

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 always 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.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell at the Licensed Restaurant only those goods and services that we have approved.

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 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 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.	Length of the franchise term	3.1	The initial term begins on the Effective Date of the Franchise Agreement and ends on the earlier of: (i) 11 years and six 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 two additional years if: (1) you must remodel your Licensed Restaurant, (2) the total cost of the remodeling is expected to exceed \$50,000, (3) the remodeling is to be commenced within two 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 “renew” your Franchise (entering 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.

	Provision	Section in franchise agreement	Summary
c.	Requirements for franchisee to renew or extend	3.2 - 3.4	To be eligible to renew (entering into a successor Franchise Agreement with a 10-year term), you must have complied with your obligations during the term of your Franchise Agreement, must undertake remodeling to comply with out then-current standards, must not have committed three or more material defaults of your Franchise Agreement during any 36-month period. If eligible and you elect to renew, you must sign our then current Franchise Agreement modified for renewal ("Renewal Franchise Agreement"), execute a release and pay a renewal fee. The Renewal Franchise Agreement may have terms and conditions materially different from your original Franchise Agreement.
d.	Termination by franchisee	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 is 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. (This provision is subject to state law.)
e.	Termination by franchisor without cause	Not applicable	We cannot terminate the Franchise Agreement without cause.
f.	Termination by franchisor with cause	14.1-14.4	We can terminate only if you commit a material default under your Franchise Agreement. (This provision is subject to state law.)
g.	"Cause" defined – curable defaults	14.4	You have 10 days to cure non-payment of fees and 30 days to cure defaults not listed in Section 14.3 of the Franchise Agreement. (This provision is subject to state law.)
h.	"Cause" defined – non-curable defaults	14.2, 14.3	Non curable defaults: failure by you to locate an acceptable location for your Licensed Restaurant within 12 months of the effective date of your Franchise Agreement, abandonment; bankruptcy; insolvency; seizure or foreclosure by a governmental agency; repeated defaults, even if cured; misrepresentations in acquiring your franchise; violation of law which is not cured within 30 days; health or safety violations; failing to obtain a liquor license 90 days after you receive notification of noncompliance from us; knowingly understating your Gross Sales; conviction of you or a Principal Equity Owner of a felony or similar crime; trademark and confidential information misuse; attacking, challenging, disparaging or otherwise damaging the Marks. (This provision is subject to state law.)
i.	Franchisee's 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.

	Provision	Section in franchise agreement	Summary
j.	Assignment of contract by franchisor	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 franchisee - definition	13.2	Includes transfer of the agreement or change in ownership of a franchisee which is an entity.
l.	Franchisor's approval of transfer by franchisee	13.2 – 13.4	Transfers require our express written consent, which will not be unreasonably withheld.
m.	Conditions for franchisor 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). 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 personal guarantee. 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.	Franchisor's right of first refusal to acquire franchisee's business	13.2.3, 15.1.2	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.	Franchisor's option to purchase franchisee's business	15.1.2	When the Franchise Agreement is terminated or expires, we have the option to match the terms of any third party offer to purchase the assets of the Licensed Restaurant. If no third-party offer to purchase the assets that then exist, we have the right but not the obligation to purchase these assets at their net book value, based on variable depreciations by asset class.
p.	Franchisee's death or disability	13.2.2	Same requirements as for transfer in "m" above.

	Provision	Section in franchise agreement	Summary
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 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. (This provision is subject to state law.)
s.	Modification of the agreement	19.8	The Franchise Agreement may be modified only by written agreement between the parties. (This provision is subject to state law.)
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. Nothing in the Franchise Agreement or any related agreement disclaims or is intended to disclaim representations made in this Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
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

	Provision	Section in franchise agreement	Summary
u.	Dispute resolution by arbitration or mediation [continued]		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. (This provision is subject to state law.)
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. (This provision is subject to state law.)
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 provision is subject to state law.)

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 specific location or under specific circumstances.

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Chief Operating Officer, 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 2021 to 2023*

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	29	29	0
	2022	29	28	-1
	2023	28	32	+4

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Company-Owned	2021	31	31	0
	2022	31	34	+3
	2023	34	33	-1
Total Outlets	2021	60	60	0
	2022	60	62	+2
	2023	62	65	+3

*In 2020, our fiscal year end date changed to January 31. The year stated in the tables in this Item 20 for 2021 is the three months ending January 31, 2021. The year stated in all tables in this Item 20 for 2022 and 2023 is the 12 months ending January 31 of that year.

[Table No. 2]
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
Pennsylvania	2021	0
	2022	0
	2023	1
Total	2021	0
	2022	0
	2023	1

[Table No. 3]
Status of Franchised Outlets For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	1	0	0	0	0	10
Florida	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
Georgia	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Hawaii	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Kansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

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
Minnesota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
	2023	0	0	0	0	0	0	0
New York	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
North Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Pennsylvania	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Virginia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Washington	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals	2021	29	0	0	0	0	0	29
	2022	29	0	1	0	0	0	28
	2023	28	4	0	0	0	0	32

On January 31, 2023, we had 10 franchised Outlets open and operating in Canada.

**[Table No. 4]
Status of Company-Owned Outlets For Years 2021 to 2023**

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	2021	11	0	0	0	0	11
	2022	11	1	0	0	0	12
	2023	12	0	0	0	0	12
Colorado	2021	1	0	0	0	0	1
	2022	1	1	0	0	0	2
	2023	2	0	0	0	0	2
Georgia	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	1	0

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	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
Illinois	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
Massachusetts	2021	3	0	0	0	0	3
	2022	3	1	0	0	0	4
	2023	4	0	0	0	0	4
New York	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
Texas	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
	2023	5	0	0	0	0	5
Totals	2021	31	0	0	0	0	31
	2022	31	3	0	0	0	34
	2023	34	0	0	0	1	33

**[Table No. 5]
Projected Openings as of January 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	2	2	0
District of Columbia	1	1	0
Florida	2	1	0
Maryland	1	1	0
New York	1	1	0
North Carolina	1	1	0
Washington	1	1	0
TOTALS	9	8	0

Exhibit C lists, as of January 31, 2023, all franchise outlets that were then open and operating, all franchisees who had signed franchise agreements but not yet opened their outlets, and all Gyu-Kaku restaurants owned and operated by RIU.

Exhibit D lists, as of January 31, 2023, the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business 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 three 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 January 31, 2023, January 31, 2022, and January 31, 2021. Our fiscal year end date is January 31.

ITEM 22: CONTRACTS

The following agreements and other required exhibits are attached to this disclosure document in the exhibits listed below:

- Exhibit A: Franchise Agreement
- Exhibit G: Brand Standards Agreement
- Exhibit H: Franchise Operator Construction Management Agreement

ITEM 23: RECEIPTS

You will find copies of a detachable receipt in Exhibit J 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 executed 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:

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 the address of the "Licensed Restaurant" indicated in Exhibit 1 of this Agreement.

"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.

"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.

"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 10-year term.

"Successor Term" means the additional five-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 Secret" 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. The term "Trade Secret" also means information constituting a trade secret within the meaning of the Defend Trade Secrets Act of 2016 (18 U.S.C. § 1836, *et seq.*), as amended.

"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, except as specifically authorized by Franchisor in the Manuals or otherwise in writing, 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 (i) 11 years and six months following the Effective Date, or (ii) 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 Franchisee's Licensed 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"). If at the time the Successor Term is to commence, Franchisee does not fully meet the qualifications then established for a new Gyu-Kaku franchisee under the then current form of Gyu-Kaku franchise agreement, this box [] will be checked and the Successor Term will be shortened to _____ years. Also, if the term of the lease for the premises on which Franchisee's Licensed Restaurant is located will be less than 10 years at the beginning of the Successor Term, this box [] will be checked and the Successor Term will be shortened to the remaining term of the lease. 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, Franchisee shall not be required to pay an Initial Fee nor attend the Initial Training program described in Section 6.1 hereof.

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 nine months 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, 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 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 three 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.

3.4.6 When Franchisee signs the Successor Franchise Agreement, Franchisee must pay Franchisor a "Renewal Fee" of \$5,000.

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. The Initial Fee is \$50,000.

4.1.1 Upon execution hereof, Franchisee shall pay to Franchisor one half of the Initial Fee (\$25,000). This portion of the Initial Fee is not refundable. Franchisee will have six months after the Effective Date to secure a Lease for the Licensed Location in the "Reserved Area" defined in Exhibit 1 of this Agreement. If

Franchisee is unable to secure a Lease for the Licensed Location within six months after the Effective Date, Franchisee may either extend the exclusive rights to the Reserved Area for an additional three months by paying a nonrefundable extension fee of \$15,000, or the Reserved Area will lapse and other Restaurants may be opened by other Gyu-Kaku franchisees or affiliates of Franchisor.

4.1.2. Currently upon Franchisee's execution of a Lease for the Licensed Location, Franchisee will pay the remaining half of the Initial Fee (\$25,000). 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 six 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 the remaining half of the Initial Fee (\$25,000) 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 First Right of Refusal To Open Second Licensed Restaurant. For six months after the date the Licensed Restaurant opens and begins operating under this Agreement (the "Opening Date"), Franchisee would have a right to accept the terms of offers made by other prospective franchisees within the Reserved Area if they have consistently complied with the terms of this Agreement and other operating standards of Franchisor as expressed in the Manuals and subject to the following:

4.5.1 Any offer received by Franchisor from another prospective franchisee to open another Franchised Location in the Reserved Area will be communicated to Franchisee during this six month period.

4.5.2 Franchisee would then have 90 days in which to decide whether to match the terms of the offer received by the other franchisee thereby committing to open a second Franchised Location in the Reserved Area. If they do so, Franchisee would have to sign a separate Franchise Agreement for the second Franchised Location.

4.5.3 At the expiration of the six-month period after the Opening Date, if Franchisee has not then committed to opening a second Franchised Location, Franchisee may extend its rights to do so under this section 4.5 for up to two additional six-month periods, provided that it pays Franchisor a \$10,000 extension fee on or before the expiration date of the initial and second six-month period to exercise refusal rights.

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

4.6.1 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.

4.6.2 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.

4.6.3 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.

4.7 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.

4.8 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 the rate of 1.5% per month, or the highest rate allowable under applicable law, whichever is less. 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.

4.9 EFT and Pre-Authorized Payments.

4.9.1 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.

4.9.2 If Franchisee is delinquent more than two 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 at the address indicated in Exhibit 1 of this Agreement.

5.1.1 If no Location has been specifically identified in Exhibit 1 of this Agreement 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 such 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 specifically identified in Exhibit 1 of this Agreement when this Agreement is executed, 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 then 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 therefor. 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 formalize and implement 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. 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 comply 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 guarantee 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. Franchisee must always ensure that each customer barbeque table the roaster's heat element temperature is maintained at 1150°F and the table exhaust suction is maintained at 12 MPH. 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 six 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 two 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 six 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 one month prior, and the four

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. 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 four 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 four 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 five weeks of training for the Operating Principal and shall consist of approximately four 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 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 ensure 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 executed 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 seven 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 in the Manuals or otherwise in writing, 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 Licensed Restaurant; provided however that (i) retail customers may take with them away from the Location uneaten portions of their meals and (ii) using designated food delivery services specifically identified by Franchisor and strictly according to applicable terms and conditions stated in the Manuals, Franchisee may deliver pre-ordered Authorized Gyu-Kaku Products to retail customers for consumption away from the Licensed Restaurant.

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 city 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, and menu items. Such website 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 sub-addresses 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 (for example, 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 seven 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 Franchisee shall provide all information to Franchisor, its agents or representatives, promptly upon demand (but not later than five 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 from the date payment was due at an annual percentage rate ("APR") of 18% (or the highest APR permitted in the state where the Licensed Restaurant is located, if that APR is lower). 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 of 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 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.

12.5 Business Practices.

12.5.1 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.

12.5.2 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.

12.5.3 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.

12.6 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. 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 executed 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 Franchisor will not unreasonably withhold or condition 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 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 three or more years; or (iii) an employee of a franchised Restaurant or Franchisor owned Restaurant of five or more years, the transfer fee shall be reduced to \$2,000.

(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.

13.2.4 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 guarantee 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 guarantee 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 guarantee 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 guarantee, 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. Franchisor shall have the right to terminate this Agreement upon notice to Franchisee upon the following circumstances and manners.

14.2 Automatic Termination Without Notice. Subject to Applicable Laws of the jurisdiction in which the Restaurant operated hereunder is located to the contrary, Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall at Franchisor's election automatically terminate immediately upon notice to Franchisee if: (i) Franchisee shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors; (ii) Franchisee shall allow a judgment against him in the amount of more than \$25,000 to remain unsatisfied for a period of more than 30 days (unless a supersedes or other appeal bond has been filed); (iii) the Licensed Restaurant, the Premises or the Franchisee's assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder provided that a final judgment against the Franchisee remains unsatisfied for 30 days (unless an appeal bond has been filed); (iv) a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Licensed Restaurant, and it is not discharged within 5 days of such levy or attachment; (v) Franchisee permits any recordation of a notice of mechanics lien against the Licensed Restaurant or any equipment at the Licensed Restaurant which is not released within 60 days unless Franchisee post a bond in an amount sufficient to satisfy the mechanics lien, or if any person commences any action to foreclose on the Licensed Restaurant or said equipment; (vi) Franchisee allows or permits any judgment to be entered against Franchisor or any of its Affiliates, arising out of or relating to the operation of the Licensed Restaurant; or (vii) a condemnation or transfer in lieu of condemnation has occurred.

14.3 Option to Terminate Without Opportunity to Cure. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any of the following events:

14.3.1 Abandonment. If Franchisee shall abandon the Licensed Restaurant. For purposes of this Agreement, "abandon" shall refer to (i) Franchisee's failure, at any time during the term of this Agreement, to keep the Premises or Licensed Restaurant open and operating for business for a period of 3 consecutive days, except for closure to remodel the Licensed Restaurant or as otherwise provided in the Manuals, (ii) Franchisee's failure to keep the Premises or Licensed Restaurant open and operating for any 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 Licensed Restaurant, unless such failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement), (iii) failure to actively and continuously maintain and

answer the telephone listed by Franchisee for the Licensed Restaurant solely with the "GYU-KAKU" name (as the same may be modified in accordance with this Agreement); (iv) the withdrawal of permission from the applicable landlord that results in Franchisee's inability to continue operation of the Licensed Restaurant; or (v) closing of the Licensed Restaurant required by Applicable Law if such closing was not the result of a violation of this Agreement by Franchisor.

14.3.2 Assignment, Death or Incapacity. If Franchisee shall purport to make any Assignment without the prior written consent of Franchisor; provided, however, that if the Licensed Restaurant continues to be operated in conformity with this Agreement (i) upon prompt written request and upon the death or legal incapacity of a Franchisee who is an individual, Franchisor shall allow up to six months after such death or legal incapacity for the heirs, personal representatives, or conservators (the "Heirs") of Franchisee either to enter into a new Franchise Agreement upon Franchisor's then current form (except that no initial franchise fee or transfer fee shall be charged), if Franchisor is subjectively satisfied that the Heirs meet Franchisor's standards and qualifications (with the exception of Franchisor's financial requirements for new franchisees, which requirements will not apply under the circumstances contemplated in this Section 14.3.2), or if not so satisfied to allow the Heirs to sell the Licensed Restaurant to a person approved by Franchisor, or (ii) upon prompt written request and upon the death or legal incapacity of an Owner owning 10% or more of the Equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning 10% or more of any of the Partnership Rights of a Franchisee which is a Partnership, Franchisor shall allow a period of up to six months after such death or legal incapacity for the Heirs to seek and obtain Franchisor's consent to the transfer or Assignment of such shares, membership interests or Partnership Rights to the Heirs or to another person acceptable by Franchisor. If, within said six-month period, the Heirs fail either to enter into a new franchise agreement or to sell the Licensed Restaurant to a person approved by Franchisor pursuant to this Agreement, or fail either to receive Franchisor's consent to the Assignment of such Equity to the Heirs or to another person acceptable by Franchisor, as provided in this Agreement, this Agreement shall thereupon automatically terminate.

14.3.3 Repeated Defaults. If Franchisee shall default in any obligation as to which Franchisee has previously received three or more written notices of default from Franchisor setting forth the default complained of within the preceding 36 months, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure.

14.3.4 Misrepresentation. If Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the acquisition of the Licensed Restaurant.

14.3.5 Violation of Law. If Franchisee fails, for a period of 30 days after having received notification of noncompliance from Franchisor or any governmental or quasi-governmental agency or authority, to comply with any federal, state or local law or regulation applicable to the operation of the Licensed Restaurant.

14.3.6 Health or Safety Violations. If Franchisee's operation of the Licensed Restaurant constitutes an imminent danger to the public health or if Franchisee sells unauthorized products to the public after notice of default and thereafter sells such products, whether or not Franchisee has cured the default after one or more notices.

14.3.7 Liquor License. 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.

14.3.8 Under Reporting. 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 three 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.

14.3.9 Criminal Offenses. If Franchisee or any of its Principal Equity Owners is convicted of or pleads guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to materially and adversely affect the Franchisor's reputation, System, Marks or the

goodwill associated therewith, or Franchisor's interest therein; provided, however that if the crime or offense is committed by a Principal Equity Owner other than an Operating Principal, then Franchisor may only terminate on account thereof if such Principal Equity Owner fails within 30 days after the conviction or guilty plea, whichever first occurs, to sell its interest in Franchisee to Franchisee's other Principal Equity Owners.

14.3.10 Intellectual Property Misuse. If Franchisee materially misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein or takes any action which reflects materially and unfavorably upon the operation and reputation of the Licensed Restaurant, the System, or the "GYU-KAKU" brand generally. Franchisee's unauthorized use, disclosure or duplication of the "Trade Secrets", excluding independent acts of employees or others if Franchisee shall have exercised its best efforts to prevent such disclosures or use.

14.4 Termination With Notice and Opportunity To Cure. Except for any default by Franchisee under Sections 14.2 or 14.3 of this Agreement, and as otherwise expressly provided elsewhere in this Agreement, Franchisee shall have 30 days (10 days in the case of any default in the timely payment of sums due to Franchisor or its Affiliates) after Franchisor's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Franchisor may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

14.5 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.

14.6 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.

14.7 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 30 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 30 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 30 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.

14.8 Recovery of Lost Continuing Royalty. If this Agreement is terminated because of Franchisee's material breach, based on the estimated time it takes for a replacement Licensed Restaurant to achieve a similar revenue stream, in addition to any other damages or relief, Franchisor may recover liquidated damages equal to the amount of the Continuing Royalty paid by Franchisee (i) during the 24 months prior to the date this Agreement was terminated, or (ii) if the Opening Date is less than 24 months before the termination date, the time since the Opening Date.

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 executed 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 executed 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 – five 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 acknowledges that all goodwill associated with the terminated Licensed Restaurant 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 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.

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

15.1.5 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.

15.1.6 Franchisee shall transfer and assign to Franchisor or its designee all telephone numbers, city 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.

15.1.7 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 of 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 begun 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 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/or its Affiliates) and Franchisee (and/or its Principal Equity Owners or its 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: _____]

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.: 1-310-214-9572

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 executed 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 executed 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.

19.8.1 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.

19.8.2 No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of this Agreement and any other document executed in connection with the Gyu-Kaku franchise.

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

19.12.1 Franchisee certifies that neither it, nor its Principal Equity Owners or its employees, nor anyone associated with Franchisee, is listed in the Annex to Executive Order 13224 (which is available at <http://treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>). Franchisee covenants not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, the Principal Equity Owners, employees or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee and each of the Principal Equity Owners will comply with and assist Franchisor as much as possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents and warrants that none of Franchisee's nor any of its Principal Equity Owner's property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and the Principal Equity Owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws. Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in this Agreement pertain to Franchisee's obligations under this Section 19.12. Any misrepresentation by Franchisee under this Section 19.12 or any violation of the Anti-Terrorism Laws by Franchisee, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement Franchisee executed with Franchisor or one of Franchisor's Affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and any other requirements of any United States government authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

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

19.12.3 Neither Franchisee nor any Principal Equity Owner nor any employee of either is named as a "Specially Designated National" or "Blocked Person" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control and published at www.treas.gov/offices/enforcement/ofac/sdn/. Franchisee acknowledges that it is not directly or indirectly owned or controlled by the government of any country that is subject to a United States embargo, nor do Franchisee or any Principal Equity Owner 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 agree that Franchisee will notify Franchisor in writing immediately of the occurrence of any event that renders the foregoing representations and warranties of this Section 19.12 incorrect.

[Franchisee's Initials: _____]

19.13 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 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 hereto 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 AND LOCATION OF OUTLET

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. _____	6. _____
_____	_____
_____	_____
_____ %	_____ %

7. _____	8. _____
_____	_____
_____	_____
_____ %	_____ %

9. _____	10. _____
_____	_____
_____	_____
_____ %	_____ %

EXHIBIT 3 - GUARANTEE 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 guarantee need only be signed by the Franchisee entity and no corresponding written guarantee 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 guarantee 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 guarantee 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 guarantee which shall be continuing and irrevocable.

If any provision of this guarantee 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 guarantee 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/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
JANUARY 31, 2023 AND 2022

REINS USA FRANCHISE COMPANY, INC.

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JANUARY 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reins USA Franchise Company, Inc.
Torrance, California

Opinion

We have audited the accompanying financial statements of Reins USA Franchise Company, Inc. (the "Company"), which comprise the balance sheets as of January 31, 2023, and 2022, and the related statements of operations and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2023, and 2022 and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Premier Kauter LLP

Torrance, California
May 25, 2023

REINS USA FRANCHISE COMPANY, INC.

BALANCE SHEETS

January 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 205,099	\$ 146,599
Accounts receivable – trade, less allowance for doubtful	2,061,327	1,663,794
Due from affiliates	21,103,339	19,141,133
Prepaid expenses and other assets	34,458	51,725
Total current assets	23,404,223	21,003,251
Property and equipment, net	354,334	663,207
Deferred taxes	415,714	409,129
Total assets	\$ 24,174,271	\$ 22,075,587
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable – trade	\$ (4,959)	\$ 87,915
Due to affiliates	689,947	2,979,363
Accrued expenses and other liabilities	569,490	514,779
Income taxes payable	5,331,920	4,057,433
Total current liabilities	6,586,398	7,639,490
Deferred revenue	1,121,244	1,228,953
Total liabilities	7,707,642	8,868,443
Stockholder's equity		
Common stock, no par value, 10,000 shares authorized; 500 shares issued and outstanding	50,000	50,000
Retained earnings	16,416,629	13,157,144
Total stockholder's equity	16,466,629	13,207,144
Total liabilities and stockholder's equity	\$ 24,174,271	\$ 22,075,587

See notes to financial statements

REINS USA FRANCHISE COMPANY, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
Years Ended January 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues		
Franchise revenues	\$ 6,727,115	\$ 5,135,617
Miscellaneous revenue	<u>213,032</u>	<u>217,600</u>
Total revenues	6,940,147	5,353,217
Operating expenses	<u>2,313,604</u>	<u>1,863,102</u>
Income before provision for income taxes	4,626,543	3,490,115
Provision for income taxes	<u>1,367,058</u>	<u>1,017,292</u>
Net income	3,259,485	2,472,823
Beginning retained earnings	<u>13,157,144</u>	<u>10,684,321</u>
Ending retained earnings	<u><u>\$ 16,416,629</u></u>	<u><u>\$ 13,157,144</u></u>

See notes to financial statements

REINS USA FRANCHISE COMPANY, INC.

STATEMENTS OF CASH FLOWS

Years Ended January 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Net income	\$ 3,259,485	\$ 2,472,823
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	301,929	229,572
Deferred taxes	(6,585)	20,250
Changes in operating assets and liabilities:		
Accounts receivable – trade	(397,533)	(521,110)
Due from affiliates	(1,962,206)	(3,262,564)
Prepaid expenses and other assets	17,267	311,449
Accounts payable – trade	(92,874)	(2,630)
Due to affiliates	(2,289,416)	513,006
Accrued expenses and other liabilities	54,711	(92,329)
Income taxes payable	1,274,487	939,007
Deferred revenue	(107,709)	(155,624)
Net cash provided by operating activities	<u>51,556</u>	<u>451,850</u>
Cash flows from investing activities		
Capital expenditures	<u>6,944</u>	<u>(364,801)</u>
Net cash provided by (used in) investing activities	<u>6,944</u>	<u>(364,801)</u>
Net increase in cash and cash equivalents	58,500	87,049
Cash and cash equivalents at the beginning of year	<u>146,599</u>	<u>59,550</u>
Cash and cash equivalents at the end of year	<u>\$ 205,099</u>	<u>\$ 146,599</u>
Noncash investing and financing activities:		
Fixed assets purchase obligations incurred	<u>\$ -</u>	<u>\$ 527,978</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	<u>\$ 99,156</u>	<u>\$ 58,035</u>

See notes to financial statements.

REINS USA FRANCHISE COMPANY, INC.

CONTENTS

JANUARY 31, 2023 AND 2022

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 42 and 39 restaurants operated by franchisees as of January 31, 2023 and 2022, respectively.

In March 2020, the World Health Organization characterized the novel COVID-19 virus as a global pandemic. The COVID-19 outbreak has resulted in a significant impact throughout the hospitality industry. The Company has been impacted due to restrictions placed on them by state and local governments that caused temporary restaurant closures or significantly reduced the franchisees’ ability to operate, restricting the operating hours, limited dine-in capacity, and dining room closures in some instances. It is difficult to estimate the length or severity of this outbreak; however, the Company and franchisees have made operational changes, as needed, to reduce the impact. Nonetheless, there can be no certainty regarding the length and severity of the outbreak and such its ultimate financial impact on the restaurant operations.

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. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment

Property and equipment are stated at cost. Depreciation expense is computed utilizing the straight-line method, at rates which are based on the estimated useful lives of the individual assets, or classes of assets. The estimated useful lives of furniture and equipment is 3 to 5 years.

REINS USA FRANCHISE COMPANY, INC.

CONTENTS

JANUARY 31, 2023 AND 2022

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

Impairment of Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of each asset's carrying amount over the estimated fair value of the asset. Long-lived assets classified as held for sale or disposed of are reported at the lower of the carrying amount, or estimated fair value, less costs to sell, and depreciation is ceased. Estimates used in such analysis are based on management's best estimates, using appropriate and customary assumptions and projections at the time.

Advertising

Advertising cost, included in operating expenses, are expensed as incurred and amounted to \$1,096,113 and \$808,429 for the year ended January 31, 2023 and 2022, 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 Ame-gyu Co., Ltd. (the "US 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, US Ultimate Parent Company 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 US Ultimate Parent Company have been recognized as capital contributions from, or dividends to, the US Ultimate Parent Company. Current tax payables to US Ultimate Parent Company 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.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable - trade and accounts payable - trade approximate their fair value due to the relatively short maturities of these instruments. Management was unable to practically estimated the fair value of due to and due from affiliates as a result of the related party nature.

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

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Nature of Services and Performance Obligation

- Franchise business

The Company executes a franchise agreement which states the terms of its arrangement with each franchisee. Absence of any financial and/or compliance issue, a franchisee will generally renew their agreement, for an additional term. In recognition of the rights and privileges conveyed by the franchise agreements and for general and administrative expenses incurred by the Company, the franchisees pay a service fee between 5.5% to 6.5%, depending on the amount of accumulated gross revenue for the calendar year. The costs of servicing of franchise agreements are recorded as operating expenses as they are incurred.

The Company provides certain services to franchisees, including site selection, training, systems implementation, and the design of a quality control program. The Company recognizes a half of initial fee 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. The remaining half of the initial franchise fee is recognized as revenue over the duration of the agreement, starting 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.

Revenue from sales-based royalty is recognized as the franchisees recognize their sales. The Company records accounts receivable and deferred revenue for the entire contract amount for the initial, non-refundable fees, when it has the unconditional right to issue an invoice and receive payment, when contract starts. The Company amortizes the deferred revenue to align with the timing of the revenue recognition as mentioned above.

The Company assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The term is in line with the stated term in the contract at all times and does not include termination nor renewal rights. Franchise agreements generally are standardized and non-cancellable during the stated contract term.

REINS USA FRANCHISE COMPANY, INC.

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JANUARY 31, 2023 AND 2022

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

Revenue Recognition (Continued)

Revenues from sales-base royalty are recorded on a net basis because the Company acts as an agent in these transactions. Total revenue recognized at a point in time and over time for the year ended January 31, 2023, was \$6,779,938 and \$160,209, respectively. Total revenue recognized at a point in time and over time for the year ended January 31, 2022, was \$5,172,593 and \$180,624, respectively.

The Company's revenue and cashflows may be affected by factors such as economic condition, increase in the price of materials, labor, or overhead, number of competitors, and recent coronavirus outbreak.

Accounting policy elections

For franchise contracts, the Company has elected, as a practical expedient, to not assess whether a contract has a significant financing component since they are immaterial at the contract level. The Company applied ASC 606 and 340-40 to only customer contracts that are not completed at the date of initial application.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring products and services to the customer. The Company excludes sales, use, and similar taxes from the measurement of the transaction price. Revenue is recorded based on the transaction price; the Company does not have significant variable consideration in its contracts.

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 and retained earnings.

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.

Subsequent Events

The Company has evaluated subsequent events through May 25, 2023, which is the date that the financial statements were available to be issued.

REINS USA FRANCHISE COMPANY, INC.

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JANUARY 31, 2023 AND 2022

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

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued accounting standards update (“ASU”) 2016-02, *Leases* (Topic 842) to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The updated guidance requires lessees to reflect the majority of leases on their balance sheets as assets and obligations. This ASU became effective for the year beginning after December 15, 2021 for all nonpublic entities. The Company did not have a material impact on the Company’s financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for the Company for years beginning after December 15, 2021. The Company adopted the new standard effective January 1, 2022. The adoption did not have a material impact on the Company’s financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces new guidance for the accounting for credit losses. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model. The ASU is effective for years beginning after December 15, 2022, including interim periods within those years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of this new guidance on its 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 “JP Ultimate Parent Company”) in Japan. Under these agreements, the JP 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 JP Ultimate Parent Company, the Company is

to pay a service fee to the JP Ultimate Parent Company equal to point three percent (0.3%) of the gross profit margin in the restaurants. For the year ended January 31, 2023 and 2022, royalty fee expenses totaled \$277,277 and \$196,019, 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 January 31, 2023 and 2022:

REINS USA FRANCHISE COMPANY, INC.

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JANUARY 31, 2023 AND 2022

NOTE 2 – RELATED PARTY TRANSACTIONS (Continued)

	<u>2023</u>	<u>2022</u>
Due from affiliates:		
Reins International California, Inc.	\$ 10,549,329	\$ 8,653,905
Reins International USA, Inc.	3,118,908	3,829,316
Reins International Georgia, Inc.	1,820,755	1,723,320
Reins International Colorado, Inc.	1,531,475	1,432,996
Reins International New York, Inc.	1,244,538	1,002,967
Reins Texas International, Inc.	736,054	862,259
Reins International Massachusetts, Inc.	864,846	679,758
Reins USA MD Company, Inc.	713,212	593,039
Reins International Chicago, Inc.	<u>524,222</u>	<u>363,573</u>
	<u>\$ 21,103,339</u>	<u>\$ 19,141,133</u>
	<u>2023</u>	<u>2022</u>
Due to affiliates:		
Reins International USA, Inc.	\$ 564,495	\$ 1,407,568
Reins International California, Inc.	120,406	1,183,214
Reins USA MD Company, Inc.	3,468	190,565
Reins International Chicago, Inc.	207	74,230
Reins Texas International, Inc.	-	73,386
Reins International Massachusetts, Inc.	-	26,172
Reins International New York, Inc.	1,371	18,345
Others	<u>-</u>	<u>5,883</u>
	<u>\$ 689,947</u>	<u>\$ 2,979,363</u>

In addition, the Company owed income tax for \$5,331,920 and \$4,057,433 to the US Ultimate Parent Company as of January 31, 2023 and 2022, respectively (see Note 4), which is presented as income taxes payable in the balance sheets.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 885,835	\$ 892,779
Accumulated depreciation	<u>(531,501)</u>	<u>(229,572)</u>
	<u>\$ 354,334</u>	<u>\$ 663,207</u>

Depreciation and amortization expense amounted to \$301,929 and \$229,572 for the year ended January 31, 2023 and 2022, respectively.

REINS USA FRANCHISE COMPANY, INC.
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JANUARY 31, 2023 AND 2022

NOTE 4 – INCOME TAXES

The Company, US 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 US Ultimate Parent Company pays federal and certain state income taxes on behalf of the Company and for the year ended January 31, 2023 and 2022 are \$1,274,487 and \$939,007, 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 year ended January 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Current taxes:		
Federal	\$ 879,368	\$ 656,795
State	395,119	282,212
Foreign	<u>99,156</u>	<u>58,035</u>
	<u>1,373,643</u>	<u>997,042</u>
Deferred taxes:		
Federal	(11,686)	620
State	<u>5,101</u>	<u>19,630</u>
	<u>(6,585)</u>	<u>20,250</u>
Provision for income taxes	<u>\$ 1,367,058</u>	<u>\$ 1,017,292</u>

The provisions for income taxes for the year ended January 31, 2023 and 2022 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, and certain non-deductible items.

The components of the Company's deferred tax assets and liabilities as of January 31, 2023 and 2022 are stated below:

	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Deferred revenue	\$ 334,579	\$ 351,799
State taxes	<u>81,135</u>	<u>57,330</u>
Net deferred tax assets	<u>\$ 415,714</u>	<u>\$ 409,129</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 2020 and generally, is no longer subject to state and local examinations for tax years before 2019.

REINS USA FRANCHISE COMPANY, INC.

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JANUARY 31, 2023 AND 2022

NOTE 5 – CONCENTRATION OF CREDIT RISK AND OTHER RISKS

The Company maintains its cash accounts in one bank. 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.

NOTE 6 – FRANCHISE OPERATIONS

Information regarding franchises in the United States and Canada as of January 31, 2023 and 2022 is as follows:

Location	2023			2022		
	U.S.	Canada	Total	U.S.	Canada	Total
Number of franchisees	23	3	26	20	3	23
Number of franchisee-operated restaurants	32	10	42	28	10	38

REINS USA FRANCHISE COMPANY, INC.
FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

REINS USA FRANCHISE COMPANY, INC.

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JANUARY 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reins USA Franchise Company, Inc.
Torrance, California

Opinion

We have audited the accompanying financial statements of Reins USA Franchise Company, Inc. (the "Company"), which comprise the balance sheets as of January 31, 2022, and 2021, and the related statements of operations and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2022, and 2021 and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Premier Kauter LLP

Torrance, California
July 6, 2022

REINS USA FRANCHISE COMPANY, INC.

BALANCE SHEETS

January 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 146,599	\$ 59,550
Accounts receivable – trade, less allowance for doubtful accounts of \$0 and \$16,424 for 2022 and 2021, respectively	1,663,794	1,142,684
Due from affiliates	19,141,133	15,878,569
Prepaid expenses and other assets	51,725	363,174
Total current assets	21,003,251	17,443,977
Property and equipment, net	663,207	-
Deferred taxes	409,129	429,379
Total assets	\$ 22,075,587	\$ 17,873,356
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable – trade	\$ 87,915	\$ 90,545
Due to affiliates	2,979,363	2,466,357
Accrued expenses and other liabilities	514,779	79,130
Income taxes payable	4,057,433	3,118,426
Total current liabilities	7,639,490	5,754,458
Deferred revenue	1,228,953	1,384,577
Total liabilities	8,868,443	7,139,035
Stockholder's equity		
Common stock, no par value, 10,000 shares authorized; 500 shares issued and outstanding	50,000	50,000
Retained earnings	13,157,144	10,684,321
Total stockholder's equity	13,207,144	10,734,321
Total liabilities and stockholder's equity	\$ 22,075,587	\$ 17,873,356

See notes to financial statements

REINS USA FRANCHISE COMPANY, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
Years Ended January 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues		
Franchise revenues	\$ 5,135,617	\$ 2,472,432
Miscellaneous revenue	<u>217,600</u>	<u>195,203</u>
Total revenues	5,353,217	2,667,635
Operating expenses	<u>1,863,102</u>	<u>1,789,727</u>
Income before provision for income taxes	3,490,115	877,908
Provision for income taxes	<u>1,017,292</u>	<u>321,749</u>
Net income	2,472,823	556,159
Beginning retained earnings	<u>10,684,321</u>	<u>10,128,162</u>
Ending retained earnings	<u><u>\$ 13,157,144</u></u>	<u><u>\$ 10,684,321</u></u>

See notes to financial statements

REINS USA FRANCHISE COMPANY, INC.

STATEMENTS OF CASH FLOWS

Years Ended January 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net income	\$ 2,472,823	\$ 556,159
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	229,572	-
Deferred taxes	20,250	14,337
Changes in operating assets and liabilities:		
Accounts receivable – trade	(521,110)	(107,985)
Due from affiliates	(3,262,564)	(1,619,114)
Prepaid expenses and other assets	311,449	(69,142)
Inventory	-	96,811
Accounts payable – trade	(2,630)	(47,390)
Due to affiliates	513,006	885,297
Accrued expenses and other liabilities	(92,329)	44,451
Income taxes payable	939,007	202,711
Deferred revenue	(155,624)	(39,585)
Net cash provided by (used in) operating activities	<u>451,850</u>	<u>(83,450)</u>
Cash flows from investing activities		
Capital expenditures	(364,801)	-
Net cash used in by investing activities	<u>(364,801)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	87,049	(83,450)
Cash and cash equivalents at the beginning of year	<u>59,550</u>	<u>143,000</u>
Cash and cash equivalents at the end of year	<u><u>\$ 146,599</u></u>	<u><u>\$ 59,550</u></u>
Noncash investing and financing activities:		
Fixed assets purchase obligations incurred	<u>\$ 527,978</u>	<u>\$ -</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	<u><u>\$ 58,035</u></u>	<u><u>\$ 40,639</u></u>

See notes to financial statements.

REINS USA FRANCHISE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

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 39 and 38 restaurants operated by franchisees as of January 31, 2022 and 2021, respectively.

In March 2020, the World Health Organization characterized the novel COVID-19 virus as a global pandemic. The COVID-19 outbreak has resulted in a significant impact throughout the hospitality industry. The Company has been impacted due to restrictions placed on them by state and local governments that caused temporary restaurant closures or significantly reduced the franchisees’ ability to operate, restricting the operating hours, limited dine-in capacity, and dining room closures in some instances. It is difficult to estimate the length or severity of this outbreak; however, the Company and franchisees have made operational changes, as needed, to reduce the impact. Nonetheless, there can be no certainty regarding the length and severity of the outbreak and such its ultimate financial impact on the restaurant operations.

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. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment

Property and equipment are stated at cost. Depreciation expense is computed utilizing the straight-line method, at rates which are based on the estimated useful lives of the individual assets, or classes of assets. The estimated useful lives of furniture and equipment is 3 to 5 years.

REINS USA FRANCHISE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

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

Impairment of Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of each asset's carrying amount over the estimated fair value of the asset. Long-lived assets classified as held for sale or disposed of are reported at the lower of the carrying amount, or estimated fair value, less costs to sell, and depreciation is ceased. Estimates used in such analysis are based on management's best estimates, using appropriate and customary assumptions and projections at the time.

Advertising

Advertising cost, included in operating expenses, are expensed as incurred and amounted to \$0 and \$23,875 for the year ended January 31, 2022 and 2021, 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 Ame-gyu Co., Ltd. (the "US 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, US Ultimate Parent Company 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 US Ultimate Parent Company have been recognized as capital contributions from, or dividends to, the US Ultimate Parent Company. Current tax payables to US Ultimate Parent Company 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.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable - trade and accounts payable - trade approximate their fair value due to the relatively short maturities of these instruments. Management was unable to practically estimated the fair value of due to and due from affiliates as a result of the related party nature.

REINS USA FRANCHISE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

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

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Nature of Services and Performance Obligation

- Franchise business

The Company executes a franchise agreement which states the terms of its arrangement with each franchisee. Absence of any financial and/or compliance issue, a franchisee will generally renew their agreement, for an additional term. In recognition of the rights and privileges conveyed by the franchise agreements and for general and administrative expenses incurred by the Company, the franchisees pay a service fee between 5.5% to 6.5%, depending on the amount of accumulated gross revenue for the calendar year. The costs of servicing of franchise agreements are recorded as operating expenses as they are incurred.

The Company provides certain services to franchisees, including site selection, training, systems implementation, and the design of a quality control program. The Company recognizes a half of initial fee 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. The remaining half of the initial franchise fee is recognized as revenue over the duration of the agreement, starting 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.

Revenue from sales-based royalty is recognized as the franchisees recognize their sales. The Company records accounts receivable and deferred revenue for the entire contract amount for the initial, non-refundable fees, when it has the unconditional right to issue an invoice and receive payment, when contract starts. The Company amortizes the deferred revenue to align with the timing of the revenue recognition as mentioned above.

The Company assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The term is in line with the stated term in the contract at all times and does not include termination nor renewal rights. Franchise agreements generally are standardized and non-cancellable during the stated contract term.

REINS USA FRANCHISE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

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

Revenue Recognition (Continued)

Revenues from sales-base royalty are recorded on a net basis because the Company acts as an agent in these transactions. Total revenue recognized at a point in time and over time for the year ended January 31, 2022, was \$5,172,593 and \$180,624, respectively. Total revenue recognized at a point in time and over time for the year ended January 31, 2021, was \$2,453,051 and \$214,584, respectively.

The Company's revenue and cashflows may be affected by factors such as economic condition, increase in the price of materials, labor, or overhead, number of competitors, and recent coronavirus outbreak.

Accounting policy elections

For franchise contracts, the Company has elected, as a practical expedient, to not assess whether a contract has a significant financing component since they are immaterial at the contract level. The Company applied ASC 606 and 340-40 to only customer contracts that are not completed at the date of initial application.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring products and services to the customer. The Company excludes sales, use, and similar taxes from the measurement of the transaction price. Revenue is recorded based on the transaction price; the Company does not have significant variable consideration in its contracts.

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 and retained earnings.

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.

Subsequent Events

The Company has evaluated subsequent events through July 6, 2022, which is the date that the financial statements were available to be issued.

REINS USA FRANCHISE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

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

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*; certain transitional guidance and further clarification were issued by the FASB to update ASU 2016-02. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2016-02 to years beginning after December 15, 2021 and interim periods within years beginning after December 15, 2022, with early adoption permitted. The Company is in the process of evaluating the impact of its pending adoption of the new standard.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces new guidance for the accounting for credit losses. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model. The ASU is effective for years beginning after December 15, 2022, including interim periods within those years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.

In December 2020, the FASB issued ASU 2020-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for the Company for years beginning after December 15, 2021. The Company is currently evaluating the impact of this new guidance on its 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 “JP Ultimate Parent Company”) in Japan. Under these agreements, the JP 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 JP Ultimate Parent Company, the Company is

REINS USA FRANCHISE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

NOTE 2 – RELATED PARTY TRANSACTIONS (Continued)

to pay a service fee to the JP Ultimate Parent Company equal to point three percent (0.3%) of the gross profit margin in the restaurants. For the year ended January 31, 2022 and 2021, royalty fee expenses totaled \$196,019 and \$95,443, 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 January 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Due from affiliates:		
Reins International California, Inc.	\$ 8,653,905	\$ 6,949,220
Reins International USA, Inc.	3,829,316	3,779,300
Reins International Georgia, Inc.	1,723,320	1,523,320
Reins International Colorado, Inc.	1,432,996	1,112,969
Reins International New York, Inc.	1,002,967	994,210
Reins Texas International, Inc.	862,259	612,232
Reins International Massachusetts, Inc.	679,758	278,859
Reins USA MD Company, Inc.	593,039	364,899
Reins International Chicago, Inc.	<u>363,573</u>	<u>263,560</u>
	<u>\$ 19,141,133</u>	<u>\$ 15,878,569</u>
	<u>2022</u>	<u>2021</u>
Due to affiliates:		
Reins International USA, Inc.	\$ 1,407,568	\$ 1,208,968
Reins International California, Inc.	1,183,214	935,079
Reins USA MD Company, Inc.	190,565	171,415
Reins International Chicago, Inc.	74,230	51,393
Reins Texas International, Inc.	73,386	60,811
Reins International Massachusetts, Inc.	26,172	22,126
Reins International New York, Inc.	18,345	12,262
Others	<u>5,883</u>	<u>4,303</u>
	<u>\$ 2,979,363</u>	<u>\$ 2,466,357</u>

In addition, the Company owed income tax for \$4,057,433 and \$3,118,426 to the US Ultimate Parent Company as of January 31, 2022 and 2021, respectively (see Note 5), which is presented as income taxes payable in the balance sheets.

NOTE 3 – RECLASSIFICATIONS

Certain prior year amounts in the notes to the financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results.

REINS USA FRANCHISE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 892,779	\$ -
Accumulated depreciation	(229,572)	-
	<u>\$ 663,207</u>	<u>\$ -</u>

Depreciation and amortization expense amounted to \$229,572 and \$0 for the year ended January 31, 2022 and 2021, respectively.

NOTE 5 – INCOME TAXES

The Company, US 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 US Ultimate Parent Company pays federal and certain state income taxes on behalf of the Company and for the year ended January 31, 2022 and 2021 are \$939,007 and \$202,711, 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 year ended January 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current taxes:		
Federal	\$ 656,795	\$ 137,857
State	282,212	64,854
Foreign	<u>58,035</u>	<u>104,701</u>
	<u>997,042</u>	<u>307,412</u>
Deferred taxes:		
Federal	620	10,838
State	<u>19,630</u>	<u>3,499</u>
	<u>20,250</u>	<u>14,337</u>
Provision for income taxes	<u>\$ 1,017,292</u>	<u>\$ 321,749</u>

REINS USA FRANCHISE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

NOTE 5 – INCOME TAXES (Continued)

The provisions for income taxes for the year ended January 31, 2022 and 2021 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, and certain non-deductible items.

The components of the Company's deferred tax assets and liabilities as of January 31, 2022 and 2021 are stated below:

	<u>2022</u>	<u>2021</u>
Deferred tax assets:		
Deferred revenue	\$ 351,799	\$ 413,158
Allowance for doubtful accounts	-	4,901
State taxes	<u>57,330</u>	<u>11,320</u>
Net deferred tax assets	<u>\$ 409,129</u>	<u>\$ 429,379</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 2019 and generally, is no longer subject to state and local examinations for tax years before 2018.

NOTE 6 – CONCENTRATION OF CREDIT RISK AND OTHER RISKS

The Company maintains its cash accounts in one bank. 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.

NOTE 7 – FRANCHISE OPERATIONS

Information regarding franchises in the United States and Canada as of January 31, 2022 and 2021 is as follows:

Location	<u>2022</u>			<u>2021</u>		
	<u>U.S.</u>	<u>Canada</u>	<u>Total</u>	<u>U.S.</u>	<u>Canada</u>	<u>Total</u>
Number of franchisees	21	4	25	21	4	25
Number of franchisee-operated restaurants	29	10	39	28	10	38

GYU-KAKU

LIST OF FRANCHISE OUTLETS

LIST OF FRANCHISE OUTLETS

The following franchise outlets were open and operating on January 31, 2023:

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
	Chris Muradyan, Roger Moussa	514 W. 7th St., Los Angeles, CA 90014	213-988-7178
	Naveed Merchan, Amar Ali, Anil Ali	459 8th St., Ste. A, Oakland, CA 94607	510-361-0117
	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., Pinecrest, 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
	Yutaro Iwamura	140 Sugar Belle Dr., Ste. F, Winter Garden, FL 34787	407-951-0066
GEORGIA	Charles Lin	265 18th St. NW, Ste. 4130, Atlanta, GA 30363	404-253-2989
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., Spaces C-12 and C-13, Mililani, HI 96789	808-600-5848
KANSAS	Szuyin Chen	7865 W. 159th St., Overland Park, KS 66223	913-681-9788
LOUISIANA	Khai Nguyen	400 Lafayette St., Ste. 101, New Orleans, LA 70130	504-507-8800
MARYLAND	Hai Nguyen, Sang Nguyen, Khanhchi Dang	8865 Stanford Blvd., Ste. 109, Columbia, MD 21045	804-491-4134
MINNESOTA	Yuwei (George) Xu	3025 Lyndale Ave. S., Minneapolis, MN 55408	612-224-9888
NEW YORK	Charles Lin	40-52 Main St., Flr. 2, Flushing, NY 11354	347-996-6840
	Ning Chen	159 Main St., White Plains, NY 10601	914-358-5206
NORTH CAROLINA	Quan Hong (Helen) Xia	650 E. Stonewall St., Unit A, Charlotte, NC 28202	980-585-3012
OHIO	Ai Lin	5901 E. Galbraith Rd., Ste. 216, Cincinnati, OH 45236	513-888-7879

STATE	CONTACT NAME	ADDRESS	PHONE NO.
PENNSYLVANIA	Ning Chen, Dennis Wang	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 January 31, 2023, the following franchisees had signed franchise agreements, but their outlets had not yet opened:

STATE	NAME	CITY/AREA	PHONE NO.
CALIFORNIA	Naveed Merchan, Amar Ali, Anil Ali	Milpitas	510-361-0117
	Edward Chan	San Francisco Bay Area	408-865-0149
DISTRICT OF COLUMBIA	Ki Jun Sung, David Chung, Pierre Lee	Washington DC	571-527-0445
FLORIDA	Mario Contreras, Jesus Urdaneta	Boca Raton, Doral, Fort Lauderdale, Miramar	305-613-0051
	Yutaro Iwamura	Parkview (Millennia Mall)	407-342-2085
MARYLAND	Khanhchi Dang	Baltimore County, Anne Arundel County	202-590-2895
NEW YORK	Mike Chen	Long Island	914-358-5206
NORTH CAROLINA	Quan Hong (Helen) Xia	Durham, Greensboro	980-585-3012
WASHINGTON	Cecilia Gao	Tacoma (Tacoma Mall)	425-296-8818

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 January 31, 2023:

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
	801 5th Ave., San Diego, CA 92101
	855 Howard St., San Francisco, CA 94103
	28 N. Almaden St., Ste. 70, San Jose, CA 95110
	231 Arizona Ave., Santa Monica, CA 90401
	14457 Ventura Blvd., Sherman Oaks, CA 91423
	24631 Crenshaw Blvd., Torrance, CA 90505
COLORADO	1998 18th St., Denver, CO 80202
	100 Steele St., Ste. 100, Denver, CO 80206
HAWAII	1221 Kapiolani Blvd., Ste. 105, Honolulu, HI 96814

STATE	ADDRESS
HAWAII	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
	47 E. Chicago Ave., 108, Naperville, IL 60540
MASSACHUSETTS	1002 Beacon St., Brookline, MA 02446
	85 Middlesex Turnpike, Ste. 3010, Burlington, MA 01803
	16-18 Eliot St., 2nd Floor, Cambridge, MA 02138
	23 District Ave., Dorchester, MA 02125
NEW YORK	805 3rd Ave., 2nd Flr., New York, NY 10022
	321 W. 44th St., Ste. 103, New York, NY 10036
	620 Amsterdam Ave., New York, NY 10024
	34 Cooper Sq., New York, NY 10003
TEXAS	1211 E. 5th St., Ste. 100, Austin, TX 78702
	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

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 January 31, 2023):

STATE	NAME	CITY	LAST KNOWN PHONE NUMBER	REASON FOR TERMINATION
PENNSYLVANIA	Abel Maldonado Gomez	Philadelphia	267-603-9482	Transferred Franchise

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

GYU-KAKU

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

EXHIBIT E

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 Financial Protection and Innovation
Dept. of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(866) 275-2677

Hawaii:

Business Registration Division,
Dept. of Commerce and Consumer Affairs
335 Merchant St., Rm. 203
Honolulu, HI 96813
(808) 586-2722

Illinois:

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

Indiana:

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

Maryland:

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

Michigan:

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Bldg., 1st Flr.
525 W. Ottawa St.
Lansing, MI 48933
(517) 373-7117

Minnesota:

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

New York:

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

North Dakota:

Franchise Examiner
North Dakota Securities Department
600 E. Boulevard Ave.
State Capitol - 5th Flr., Dept. 414
Bismarck, ND 58505
(701) 328-4712

Rhode Island:

Securities Division
Dept. 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
(605) 773-3563

Virginia:

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

Washington:

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

Wisconsin:

Franchise Administrator
Division of Securities
Dept. of Financial Institutions
345 W. Washington Ave.
Madison, WI 53703
(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:

Commissioner of Financial Protection and Innovation
Dept. of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(866) 275-2677

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:

Secretary of State
99 Washington Ave.
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 Dept. 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
(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
345 W. Washington Ave.
Madison, WI 53703
(608) 261-9555

GYU-KAKU

STATE SPECIFIC ADDENDA

EXHIBIT F

CALIFORNIA

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. 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.*)

3. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California Law.

4. The agreements contain a liquidated damage clause, under Civil Code, Section 1671, certain liquidated damage clauses are enforceable.

5. The Franchise Agreement requires binding arbitration. The arbitration will occur in Los Angeles County, California with the costs being borne equally by both parties. 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.

6. 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.

7. 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 Financial Protection and Innovation may by rule or order require, before solicitation of a proposed material modification of an existing franchise.

8. The Franchise Agreement requires you to execute a general release of claims upon transfer of the Franchise Agreement. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (Corporations Code §§31000-31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000-20043).

9. Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

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 these persons from membership in such association or exchange.

11. The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

CALIFORNIA

ADDENDUM TO FRANCHISE AGREEMENT FOR CALIFORNIA FRANCHISEES

The Franchise Agreement is amended as follows:

1. In section 10.3, "18%" is amended to "10%".
2. In sections 14.4 and 14.7, "30 days" is amended to "60 days".
3. A new section 15.1.8 is added to read in full as follows:

"15.1.8. 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 15.1.8). Franchisor may offset against the amounts owed to Franchisee under any such purchase under this Section 15.1.8 any amounts Franchisee owes to Franchisor. Notwithstanding the foregoing however, Franchisor's requirement to purchase from Franchisee under this Section 15.1.8 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."

Date: _____

FRANCHISEE:

By: _____

PRINTED NAME AND TITLE

Date: _____

FRANCHISOR:

REINS USA FRANCHISE COMPANY, INC.

By: _____

Ryo Tozu
Chief Executive Officer

HAWAII

REGISTRATION OF FRANCHISES IN OTHER STATES

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

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

California
Maryland
Michigan
Minnesota
New York
Virginia
Washington
3. No states have refused, by order or otherwise, to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

HAWAII

ADDITIONAL RISK FACTORS REQUIRED TO BE DISCLOSED IN HAWAII

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN CALIFORNIA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN HAWAII.
2. THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
3. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST FOURTEEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST FOURTEEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.
4. THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.
6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, the Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

MARYLAND

ADDENDUM FOR MARYLAND FRANCHISEES

The Maryland Division of Securities requires the following specific disclosures to be made to prospective Maryland franchisees, and the amendments to the (i) Franchise Disclosure Document, and (ii) Franchise Agreement that have been agreed to by the parties:

1. Termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C Section 101 *et seq.*).
2. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
3. Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Regulation and Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
5. All representations of requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
6. All fees shall be deferred pending satisfaction of all of the franchisor's pre-opening obligations to the franchisee.

Date: _____

Date: _____

FRANCHISEE:

FRANCHISOR:

REINS USA FRANCHISE COMPANY, INC.

BY: _____

BY: _____

ITS: _____

ITS: _____

MARYLAND

ADDENDUM TO FRANCHISE AGREEMENT FOR MARYLAND FRANCHISEES

The Franchise Agreement is amended as follows:

1. Section 18 of the Franchise Agreement is amended to provide that a franchisee may sue in Maryland for claims arising under the Maryland Franchise Regulation and Disclosure Law. Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
2. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
3. Any general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
4. This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
5. All fees shall be deferred pending satisfaction of all of the franchisor's pre-opening obligations to the franchisee.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Date: _____

Date: _____

FRANCHISEE:

FRANCHISOR:

REINS USA FRANCHISE COMPANY, INC.

BY: _____

BY: _____

ITS: _____

ITS: _____

MICHIGAN

ADDENDUM FOR MICHIGAN FRANCHISEES

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel that deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need to more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials that have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision that permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualification or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a *bona fide* third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c) of this Appendix, above.

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

Michigan Department of Attorney General
Consumer Protection Division
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

MINNESOTA

ADDENDUM FOR MINNESOTA FRANCHISEES

The Minnesota Department of Commerce requires the following specific disclosures to be made to prospective Minnesota franchisees:

1. With respect to Item 17(b) of the Disclosure Document and Article 3.2 of the Franchise Agreement, please note that if you do not elect to extend your Franchise for an additional term, you will be given an opportunity to operate your Franchise over a sufficient period of time to enable you to recover the fair market value of the Franchise as a going concern, as determined and measured from the date of the failure to renew. Gyu-Kaku will not refuse to renew a Franchise for the purpose of converting your business premises to an operation that will be owned by Gyu-Kaku for our own account.

2. Notwithstanding Item 17(d) of the Disclosure Document and Article 14.7 of the Franchise Agreement, Minnesota Statutes Section 80C.14, Subdivision 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. To the extent the notice provisions of this Agreement are inconsistent with the foregoing, the aforesaid Minnesota statute will govern.

Notwithstanding the immediately preceding paragraph, notice of termination or cancellation of the Franchise shall be effective immediately upon receipt where the alleged grounds for termination or cancellation are:

- (i) voluntary abandonment of the Franchise relationship by you;
- (ii) your conviction of an offense directly related to the business conducted pursuant to the Franchise; or
- (iii) failure to cure a default under the Franchise Agreement which materially impairs a goodwill associated with Gyu-Kaku's trade name, trademark, service mark, logo type or other commercial symbol after you have received written notice to cure at least 24 hours in advance.

3. Notwithstanding Items 17c, 17d, and 17m of the Disclosure Document and Articles 3.2 - 3.4, 14.7, 13.2 and 13.3 of the Franchise Agreement, Minnesota Rule 2860.4400D prohibits Gyu-Kaku from requiring you to assent to a general release.

4. Notwithstanding the provisions of Item 17u of the Disclosure Document and Article 18 of the Franchise Agreement, Minnesota Rule 2860.4400J prohibits waiver of a jury trial.

5. Notwithstanding Article 18 of the Franchise Agreement, under Minnesota Rule 2860.4400J, (i) the franchisor cannot require you to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this rule does not bar an exclusive arbitration clause and (ii) only a court may determine if a bond is required. Also, the franchisee cannot be required to consent in advance to the franchisor obtaining injunctive relief. However, the franchisor may seek injunctive relief.

6. Throughout the Disclosure Document, wherever consent is required, it shall not be unreasonably withheld within the meaning of Minnesota Statutes section 80C.14, part 2860.4400J.

7. Minnesota Statutes section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

8. Notwithstanding Item 13 of the Disclosure Document and Article 9 of the Franchise Agreement, Gyu-Kaku will defend you at our cost and expense against liability or claims in connection with your authorized use of our Name or Marks. You will not be responsible for the costs of any litigation to protect or defend the Name or Marks unless your unauthorized use of the Name or Marks caused it. Minnesota considers it unfair to not protect your right to use Gyu-Kaku's trademarks pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g).

9. Minnesota Statutes Section 80C.17, Subdivision 5 limits claims against Gyu-Kaku to 3 years.

To the extent necessary our signatures below amend the Franchise Agreement between Gyu-Kaku and you in accordance with the above sections 1 through 9.

Date: _____

Date: _____

Franchisor:
REINS USA FRANCHISE COMPANY, INC.

Franchisee:

By: _____

By: _____

NEW YORK

NEW YORK STATE ADDENDUM

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

VIRGINIA

APPENDIX FOR VIRGINIA FRANCHISEES

The Division of Securities and Retail Franchising of Virginia requires the following specific disclosures to be made to prospective Virginia franchisees.

In recognition of the restriction contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Reins USA Franchise Company, Inc., for use in the Commonwealth of Virginia shall be amended as follows:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause", as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

DATED: _____

FRANCHISOR: _____
(Signature)

DATED: _____

FRANCHISEE: _____
(Signature)

WASHINGTON

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, STATEMENT OF FRANCHISEE, AND RELATED AGREEMENTS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

This appendix for Washington franchisees acts as an addendum to the Franchise Disclosure Document, Franchise Agreement, Statement of Franchisee, and related agreements.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20_____.

FRANCHISOR:
Reins USA Franchise Company, Inc.

FRANCHISEE:

By _____
(Authorized Signature)

By _____
(Authorized Signature)

GYU-KAKU

BRAND STANDARDS AGREEMENT

EXHIBIT G

**GYU-KAKU
BRAND STANDARDS AGREEMENT**

This Brand Standards Agreement ("Agreement") is executed and entered into as of this ____ day of _____, 20____, by and among **REINS INTERNATIONAL (USA) CO. LTD**, a Hawaii corporation ("Reins"), **REINS USA FRANCHISE COMPANY, INC.**, a California corporation ("Franchisor"), and _____, a _____ ("Franchisee") (each, a "party", and collectively, the "parties").

RECITALS:

WHEREAS, Reins, 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 "yakiniku" restaurants (the "System");

WHEREAS, in addition to this Agreement, Franchisee entered into a Franchise Agreement (the "Franchise Agreement") with Franchisor, whereby Franchisee obtained the right to establish and operate a single Gyu-Kaku Asian-style "yakiniku" restaurant (the "Restaurant");

WHEREAS, the Franchisee will establish and operate the aforementioned Restaurant at the following address: _____

WHEREAS, pursuant to the Franchise Agreement, Franchisee must comply with the standards and specifications ("Brand Standards") established by Franchisor, and the Restaurant must be developed and operated in strict accordance with the System, subject to approved city construction plans and permit(s);

WHEREAS, Franchisee will execute and oversee the construction of the Restaurant or contract with a third party to manage such construction on its behalf; and

WHEREAS, Franchisee now desires to engage Reins to verify that the construction of the Restaurant meets Franchisor's Brand Standards as outlined in the Franchise Agreement.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other party set forth herein, hereby mutually agree as follows:

1. RECITALS

1.1 The Recitals set forth above are incorporated into this Agreement and shall be deemed terms and provisions hereof, the same as if fully set forth in this Section 1.

1.2 Any capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Franchise Agreement.

2. PURPOSE

Parties to this Agreement acknowledge that in order to ensure consistent representation of the Gyu-Kaku brand, Franchisor produces Brand Standards, which include standards and specifications as to how the Restaurant and establishments of other franchisees shall be constructed. Without limitation to Franchisee's existing obligations under the Franchise Agreement and any other agreements entered with Franchisor, Franchisee agrees to comply with such Brand Standards both in the construction of the Restaurant and in its use of Franchisor's trademarks unless the Franchisor agrees otherwise in writing.

3. SCOPE OF WORK

Franchisee shall cause the Restaurant to be constructed in accordance with the Brand Standards. During construction of the Restaurant, Reins will be responsible for verifying all aspects of construction to ensure that the final buildout is consistent with Franchisor's Brand Standards and Franchisor's expectations under the Franchise Agreement and is otherwise uniform with other franchisee locations.

4. FEE FOR SERVICES

4.1 Concurrent with the execution of this Agreement, Franchisee shall pay Reins a flat fee of Ten Thousand Dollars (\$10,000.00) (the "Flat Fee") to execute the responsibilities listed herein to ensure construction of the Restaurant is consistent with Franchisor's Brand Standards, as follows:

(a) Fifty percent (50%) of the Flat Fee shall be paid to Franchisor within ten (10) business days of execution of this Agreement.

(b) The remaining fifty percent (50%) of the Flat Fee shall be paid to Franchisor within ten (10) business days of issuance of the Certificate of Occupancy or Final Inspection Sign-Off, whichever occurs first.

(c) All sums are to be paid by check or bank transfer. If any sums are paid by check, confirmation of the mailing of the check shall be sent to Franchisor via email no later than two (2) days after the check issuance date. If any sums are paid by bank transfer, confirmation of the bank transfer shall be emailed to Franchisor no later than two (2) days after initiation of the transfer.

4.2 In addition to the Flat Fee, Franchisee shall also reimburse Reins for all reasonable travel fees associated with the execution of Reins' responsibilities under this Agreement. Reins will present Franchisee with receipts for such travel and Reins will be reimbursed within twenty-one (21) calendar days of presenting such receipts.

5. DEFAULT AND TERMINATION

Franchisee will be in default of this Agreement if it (or its affiliate(s)): (a) fails to comply with the Brand Standards set forth by the Franchisor; (b) fails to perform any of its obligations under this Agreement or the Franchise Agreement; or (c) fails to complete any of its obligations by the Restaurant opening date. Upon default, Reins and/or Franchisor shall have the right, at their option, and in their sole discretion, to terminate this Agreement and seek all outstanding amounts owed.

6. ASSIGNMENT

6.1 Reins and/or Franchisor shall have the absolute right to transfer or assign all or any part of their respective rights or obligations hereunder to any person or legal entity that assumes their obligations under this Agreement and Reins and/or Franchisor shall thereby be released from any and all further obligation or liability to Franchisee.

6.2 Franchisee may not assign this Agreement. The provisions of this Section 6.2 shall not restrict Franchisee from transferring an open and operating Restaurant in compliance with the assignment provisions contained in the Franchise Agreement.

7. FORCE MAJEURE

In the event that Franchisee is unable to comply with this Agreement due to riot, civil disorder, war, failure to supply, fire, natural catastrophe or other similar events beyond its control, and upon notice to Reins and Franchisor, this Agreement shall be extended for a corresponding period, not to exceed ninety (90) days.

8. ENTIRE AGREEMENT

This Agreement constitutes the entire understanding of the parties with respect to the verification of construction of the Restaurant by Reins to ensure adherence to Franchisor's Brand Standards. This Agreement shall not be modified except by a written agreement signed by the parties hereto. Under no circumstances do the parties intend that this Agreement be interpreted in a way as to grant Franchisee any rights to grant sub-franchises.

9. INDEMNIFICATION

Franchisee agrees to protect, defend, indemnify and hold Reins and Franchisor harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, directly or indirectly incurred as a result of, arising from, out of, or in connection with Franchisee's obligations hereunder.

10. APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California, which laws shall govern in the event of any conflict of laws, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.). The parties expressly consent to personal jurisdiction in the State of California and agree that, except as set forth in Section 12, the state and federal court(s) located nearest to Los Angeles, California that have jurisdiction will have exclusive jurisdiction for the purposes of carrying out this provision.

11. NOTICE

Whenever this Agreement requires notice, it shall be in writing and shall be sent by registered or certified mail, return receipt requested, to the other party at the addresses set forth below, unless written notice is given of a change of address. All notices to Franchisee shall be conclusively deemed to have been received by Franchisee upon the delivery or attempted delivery of this notice to Franchisee's address listed herein, or the changed address.

Notices to Reins and Franchisor:	Reins International (USA) Co., Ltd. 20000 Mariner Ave., Suite 500 Torrance, CA 90503
With copy to:	Potente, APLC 4320 La Jolla Village Drive, Suite 170 San Diego, CA 92122
Notice to Franchisee:	Franchisee Entity Name Address Line 1 Address Line 2

12. ARBITRATION

12.1 THE PARTIES AGREE THAT ALL CONTROVERSIES, CLAIMS AND DISPUTES BETWEEN THEM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO, OR ANY OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF A PARTY, SHALL BE FINALLY RESOLVED BY SUBMITTING THIS MATTER TO BINDING ARBITRATION UNDER THE AUSPICES OF, AND USING THE COMMERCIAL ARBITRATION RULES OF, THE AMERICAN ARBITRATION ASSOCIATION, AS SUCH RULES ARE IN EFFECT AS OF THE DATE THE DEMAND FOR ARBITRATION IS FILED. A SINGLE ARBITRATOR SHALL BE SELECTED IN ACCORDANCE WITH STANDARD AAA PROCEDURE. IN ACCORDANCE WITH THE TERMS OF THE FEDERAL ARBITRATION ACT, THE ARBITRATION SHALL BE LOCATED IN LOS ANGELES COUNTY, CALIFORNIA. EACH PARTY SHALL BEAR ITS OWN COSTS AND ATTORNEY FEES AND REINS AND FRANCHISOR SHALL PAY ONE-HALF (1/2) OF THE ARBITRATOR'S EXPENSES AND FRANCHISEE SHALL PAY ONE-HALF (1/2) OF THE ARBITRATOR'S EXPENSES. THE ARBITRATOR SHALL HAVE NO AUTHORITY TO AMEND OR MODIFY THE TERMS OF THIS AGREEMENT. EACH PARTY FURTHER AGREES THAT, UNLESS A LIMITATION IS PROHIBITED BY APPLICABLE LAW, THE OTHER PARTY SHALL NOT BE LIABLE FOR PUNITIVE OR EXEMPLARY DAMAGES AND THE ARBITRATOR SHALL HAVE NO AUTHORITY TO AWARD THE SAME. **THE DECISION OF THE ARBITRATOR SHALL BE FINAL AND BINDING.** THE FRANCHISEE KNOWS, UNDERSTANDS, AND AGREES THAT IT IS THE INTENT OF THE PARTIES THAT ANY ARBITRATION BETWEEN REINS, FRANCHISOR AND FRANCHISEE SHALL BE OF THE FRANCHISEE'S INDIVIDUAL CLAIMS AND THAT THE CLAIMS SUBJECT TO ARBITRATION SHALL NOT BE ARBITRATED IN CONJUNCTION WITH THE CLAIMS OF OTHER FRANCHISEES OR ON A CLASS-WIDE BASIS, AND FRANCHISEE HEREBY WAIVES ANY RIGHT IT MAY ASSERT TO HAVE ITS CLAIMS ARBITRATED IN CONJUNCTION WITH THE CLAIMS OF OTHER FRANCHISEES OR ON A CLASS-WIDE BASIS.

12.2 Notwithstanding any provision contained in this Section 12, Reins and/or Franchisor may, at their sole option, institute an action or actions for temporary or preliminary injunctive relief or seeking any other temporary or permanent equitable relief against the Franchisee that may be necessary to protect the Gyu-Kaku brand, including the Brand Standards, trademarks or other rights or property. However, the final right of determination of the ultimate controversy, claim or dispute shall be decided by arbitration as aforesaid and recourse to the courts shall thereafter be limited to seeking an order to enforce an arbitral award. The Franchisee's sole remedy for any claim shall be an action or proceeding to enforce any provisions for specific performance or declaratory judgment.

13. MISCELLANEOUS

13.1 **Counterparts.** The Agreement may be executed in counterparts, each of which shall be effective upon delivery and thereafter shall be deemed an original, all of which shall be taken together as one and the same instrument.

13.2 **Construction.** The headings used herein are for convenience only and do not constitute a part of this Agreement and shall not limit or in any way affect any provision of this Agreement.

13.3 **No Drafting Party.** The parties acknowledge that this Agreement and all the terms and conditions contained herein have been fully reviewed and negotiated by the parties. Having acknowledged the foregoing, the parties agree that there is no "drafting party" and this Agreement shall therefore not be construed more harshly against any party.

13.4 **Time Is of The Essence.** Time is of the essence of each of Reins', Franchisor's and Franchisee's obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement on the day and year first written above.

Reins:

Reins International (USA) Co., Ltd.,
a Hawaii corporation

By: _____
Name: _____
Title: _____

Franchisor:

Reins USA Franchise Company, Inc.,
a California corporation

By: _____
Name: _____
Title: _____

Franchisee:

Franchisee Entity Name,
a _____

By: _____
Name: _____
Title: _____

GYU-KAKU

FRANCHISE OPERATOR CONSTRUCTION MANAGEMENT AGREEMENT

EXHIBIT H



Reins International (USA) Co., Ltd. dba Gyu-Kaku Restaurant
20000 Mariner Ave. Suite 500 Torrance, CA 90503 Phone: 310.214.9572 Fax: 310.214.9649

Franchise Operator and Construction Manager Agreement

AGREEMENT Made this _____ day of _____ BETWEEN:

(hereinafter referred to as the "Owner")
and the Construction Manager **Reins International (USA) Co., Ltd.** (hereinafter, referred to as the "CM");

For services in connection with the Project known as: _____

hereinafter called the "Project," as further described in Article 2:

The Owner and CM, in consideration of their mutual covenants herein agree as set forth below:

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ARTICLE I - RELATIONSHIP OF THE PARTIES

1.1 Owner and Construction Manager.

- 1.1.1 Relationship. The CM shall be the Owner's principal agent in providing the CM's services described in this Agreement. The CM and the Owner shall perform as stated in this Agreement. Nothing in this Agreement shall be construed to mean that the CM is a fiduciary of the Owner.
- 1.1.2 Standard of Care. The CM covenants with the Owner to furnish its services hereunder properly, in accordance with the standards of its profession, and in accordance with federal, state and local laws and regulations specifically applicable to the performance of the services hereunder which are in effect on the date of this Agreement first written above.
- 1.1.3 Intent of Relationship. Per the Gyu-Kaku Franchise Agreement, CM will work with Owner to select the best qualified and cost-effective contractors and vendors for this Project. CM will assist Owner by providing standard construction contracts, vendor agreements, and related documents for review by Owner and its attorneys and other professional advisors. CM will assist with managing the construction process with scheduling, requests for information (RFI), change order review and response, weekly reporting and quality control. However, these services provided by CM to Owner in the development process of this Project are not to be considered a guarantee of the services provided by others, nor does CM accept any liability for costs or any other obligations or liabilities relating to this Project.

1.2 Owner and Architect.

- 1.2.1 Owner-Architect Master Agreement. The Owner shall enter into a separate agreement, the "Owner-Architect Master Agreement", with one or more Architects to provide for the design of the Project and Construction services during the Construction Phase of the Project. The Project is defined in Article 2 of this Agreement.
- 1.2.2 Changes. The Owner shall not modify the Agreement between the Owner and Architect in any way that is prejudicial to the CM. If the Owner terminates the Architects services, a substitute acceptable to the CM shall be appointed.

1.3 Owner and Contractors.

- 1.3.1 Construction Contract. The Owner shall enter into a separate contract with one or more Contractors for the construction of the Project (hereinafter referred to as the "Contract"). The Contractor shall perform the Work, which shall consist of furnishing all labor, materials, tools, equipment, supplies, services, supervision, and perform all operations as required by the Contract Documents.
- 1.3.2 Form of Contract. Unless otherwise specified, the form of Contract between the Owner and Contractor shall be the Gyu-Kaku Master Contractor Agreement.

1.4 Relationship of the CM to Other Project Participants.

- 1.4.1 Working Relationship. In providing the CM's services described in this Agreement, the CM shall endeavor to maintain, on behalf of the Owner, a working relationship with the Contractor and Architect.
- 1.4.2 Limitations. Nothing in this Agreement shall be construed to mean that the CM assumes any of the responsibilities or duties of the Contractor or the Architect. The Contractor will be solely responsible for construction means, methods, techniques, sequences and procedures used in the construction of the Project and

for the safety of its personnel, property, and its operations and for performing in accordance with the contract between the Owner and Contractor. The Architect is solely responsible for the design requirements and design criteria of the Project and shall perform in accordance with the Agreement between the Architect and the Owner. The CM's services shall be rendered compatibly and in cooperation with the services provided by the Architect under the Agreement between the Owner and Architect. It is not intended that the services of the Architect and the CM be competitive or duplicative, but rather complementary. The CM will be entitled to rely upon the Architect for the proper performance of services undertaken by the Architect pursuant to the Master Agreement between Owner and the Architect.

ARTICLE 2 - PROJECT DEFINITION

- 2.1 The term "Project", when used in this Agreement, shall be defined as all work to be furnished or provided in accordance with the Contract Documents prepared by the Architect.
- 2.2 The Project name and location is as follows:
- 2.3 The Project is intended for use as:
- 2.4 Contract Documents. The term "Contract Documents" means the Instruction to Bidders, the Contract, the General Conditions and any Supplemental Conditions furnished to the Contractor, the drawings and specifications furnished to the Contractor and all exhibits thereto, addenda, bulletins and change orders issued in accordance with the General Conditions to any of the above, and all other documents specified in the Standard Form of Master Contract Agreement Between Owner and Contractor.

ARTICLE 3 - BASIC SERVICES

- 3.1 CM's Basic Services.
 - 3.1.1 Basic Services: The CM shall perform the Basic Services described in this Article. It is not required that the services be performed in the order in which they are described.
- 3.2 Pre-Design Phase.
 - 3.2.1 Project Management.
 - 3.2.1.1 Construction Management. The CM shall implement a Construction Management Plan for the Project utilizing an online web-based software Online Project Management system ("OPM System") which will facilitate all aspects of the Project from inception to closeout and operation.
 - 3.2.1.2 Architect Selection. The CM shall assist the Owner in the selection of the Architect by providing a list of approved potential firms, preparing and transmitting the requests for proposal, assisting in conducting interview, evaluating proposals and making recommendation. However, while the CM may assist in selection and review of the Architect, the CM holds no liability with respect to the Architect's performance or solvency.
 - 3.2.1.3 Architect Contract Preparation. The CM will prepare the Master Agreement Documents for the Architect and Owner via the OPM System.

3.2.1.4 Architect Orientation. The CM shall conduct or assist the Owner in conducting an orientation session during which the Architect shall receive information regarding the Project scope, schedule, budget, and administrative requirements.

3.2.2 Time Management.

3.2.2.1 Master Schedule. In accordance with the Construction Management Plan, the CM will create a Master Schedule for the Project. The Master Schedule shall specify the proposed starting and finishing dates for each major project activity. The CM will submit the Master Schedule to the Owner for acceptance.

3.2.3 The CM will create a Conceptual Construction Budget based on the square footage of space and separate divisions of the Work required for the Project and shall identify contingencies for design and construction. The CM shall review the budget with the Owner as an aide to start the Lender process.

3.2.4 Management Information System (MIS).

3.2.4.1 Establishing the Project MIS. The CM will utilize the OPM System as the MIS in order to establish communication between the Owner, CM, Architect, Contractor and other parties involved with the Project. All standard construction documents will be created, administered or stored on the OPM System and all parties will have access to them. The OPM System will provide email notices to all parties when any new document is posted.

3.2.4.2 Design Phase Procedure. The MIS shall include procedures for reporting, communications and administration during the Design Phase.

3.3 Design Phase.

3.3.1 Project Management.

3.3.1.1 Project Conference. At the start of the Design Phase, the CM shall conduct a Project Conference attended by the Architect, the Owner and other parties, as necessary. During the Project Conference, the CM shall review the Construction Management Plan, the Master Schedule, Design Phase Milestone Schedule, the Construction Budget and the MIS.

3.3.1.2 Design Phase Information. The CM shall monitor the Architects compliance with the Construction Management Plan and the MIS, and the CM shall coordinate and expedite the flow of information between the Owner, Architect and others as necessary.

3.3.1.3 Progress Meetings. The CM shall conduct periodic progress meetings attended by the Owner, Architect and others. Such meetings shall serve as a forum for the exchange of information concerning the Project and the review of design progress. The CM shall prepare and distribute minutes of these meetings to the Owner, Architect and others as necessary through the OPM System.

3.3.1.4 Review of Design and Construction Documents. The CM shall review the design and CD drawing documents and make recommendations to the Owner and Architect for constructability, scheduling, and costs of construction. In review and recommendation of the design and construction documents, the CM shall not be responsible or have control over the Project design, requirements, criteria or the substance of contents of the documents. By performing the review and making recommendations described herein, the CM shall not be deemed to be acting in a manner so as to assume responsibility or liability, in whole or in part, for any aspect

of the project design, requirements, criteria or the substance or contents of the documents. The CM's actions in making such reviews and recommendations as provided herein are to be advisory only to the Owner and Architect.

3.3.1.5 Owner's Design Review. The CM shall expedite the Owner's design review by compiling and conveying the Owner's review comments to the Architect.

3.3.1.6 Approvals by Regulatory Agencies. The CM shall coordinate transmittal of documents to regulatory agencies for review and shall advise the Owner of potential problems resulting from such reviews and suggested solutions regarding completion of such reviews.

3.3.1.7 Other Contract Conditions. The CM shall assist the Owner to prepare the Supplemental Conditions of the Construction Contract and separate General Conditions for materials or equipment procurement contracts to meet the specific requirements of the Project, and shall provide these to the Designer for inclusion in the Contract Documents.

3.3.1.8 Project Funding. The CM shall assist the Owner in preparing documents concerning the Project and Construction Budget for use in obtaining or reporting on Project funding.

3.3.2 Time Management.

3.3.2.1 Revisions to the Master Schedule. While performing the services provided in Paragraphs 3.3.1.1, 3.3.1.2 and as necessary during the Design Phase, the CM shall recommend revisions to the Master Schedule. The CM on behalf of the Owner shall issue, as needed, change orders to the appropriate parties via OPM System and include time associated with change orders in Master Schedule revisions. The CM will exercise best judgment in issuing change orders & revising the Master Schedule but Owner assumes all responsibility for any cost overruns associated with such changes.

3.3.2.2 Pre-Bid Construction Schedules. Prior to transmitting Contract Documents to bidders, the CM shall prepare a Pre-Bid Construction Schedule for each part of the Project and make the schedule available to the bidders during the Procurement Phase.

3.3.3 Cost Management.

3.3.3.1 Cost Control. The CM shall prepare an estimate of the construction cost for each submittal of design drawings and specifications from the Architect. This estimate shall include a contingency and costs appropriate for the type and location of the Project and the extent to which the design has progressed. The Owner recognizes that the CM will perform in accordance with the standard of care established in this Agreement and that the CM has no control over the costs of labor, materials, equipment or services furnished by others, or over the Contractor's methods of determining prices, or over competitive bidding or market prices. Accordingly, the CM does not represent or guarantee that proposals, bids or actual construction costs will not vary from budget figures included in the CM estimates provided. If the budget figure is exceeded, the Owner will give written consent to increasing the budget, or authorize negotiations or rebidding of the Project within a reasonable time, or cooperate with the CM and Architect to revise the Project's general scope, extent or character in keeping with the Project's Brand design requirements and standards.

3.3.3.2 Project and Construction Budget Revision. The CM shall make recommendations to the Owner concerning revisions to the Project and Construction Budget that may result from design or RFI response changes.

3.3.3.3 Value Engineering Studies. The CM may suggest value engineering recommendations to the Owner and Architect on major construction components.

3.3.4 Management Information Systems (MIS).

3.3.4.1 Schedule Reports. In conjunction with the services provided by Paragraph 3.3.2.2, the CM shall prepare and distribute schedule maintenance reports that shall compare actual progress with scheduled progress for the Design Phase and the overall Project and shall make recommendations to the Owner for corrective action

3.3.4.2 Project Cost Reports. The CM shall prepare and distribute Project cost reports that shall indicate actual or estimated costs compared to the Project and Construction Budget and shall make recommendations to the Owner for corrective action.

3.4 Procurement Phase.

3.4.1 Project Management.

3.4.1.1 Prequalifying Bidders. The CM shall assist the Owner in developing a list of possible bidders and in prequalifying bidders. This service shall include interviewing possible bidders, standard AIA qualification form completion, verifications of bonding agents and financial institutions; and preparing recommendations for the Owner. The CM shall prepare a list of bidders for each bid package and transmit RFP request for proposals to the bidders.

3.4.1.2 Bidder's Interest: The CM shall conduct a telephone and correspondence campaign to attempt to increase interest among qualified bidders.

3.4.1.3 Bid Process. The CM shall prepare the RFP request for proposal, send out bid documents to all G.C. and vendor bidders via OPM system.

3.4.1.4 Pre-Bid Walk: In conjunction with the Owner and Architect, the CM shall conduct a pre-bid job site walk. This bid walk will enable the Owner, CM and Architect to explain the Project requirements to the bidders, including information concerning schedule requirements, time and cost control requirements, access requirements, contractor interfaces and administrative requirements and technical information. It will also allow the bidders to compare the site to the plans and specifications and advise via pre-bid RFI'S any questions regarding inconsistencies on the plans that do not match site conditions.

3.4.1.5 Request for Information to Bidders. The CM shall administer all RFI'S through the OPM System and facilitate all answers to Bidders from the CM, Architect and Owner.

3.4.1.6 Addenda. The CM shall receive from the Architects a copy of all addendums. The CM shall review addendums for constructability, effect on the Project, budget, scheduling, and for consistency with the related provisions as documented in the Bid Documents. The CM shall distribute a copy of all addendum to all bidders.

3.4.1.7 Bid Leveling, Review and Recommendations. The CM shall assist the Owner in the bid leveling and shall evaluate the bids for responsiveness, scope and price. The CM shall interview the best three qualified bidder and then the CM shall make recommendations to the Owner concerning the acceptance or rejection of bids. The final decision is the Owners as the Owner is the sole responsible party for the project. The CM does not hold responsibility for bidder performance or solvency. The Owner is authorized to field bids from other vendors, assuming such vendors/contractors pass a rigorous background check process.

- 3.4.1.8 Post-Bid Conference. The CM shall conduct a post-bid conference to review Contract award procedures, schedules, Project staffing and other pertinent issues with the Awarded Contractor, Owner and Architect.
- 3.4.1.9 Construction Contracts. The CM shall assist the Owner in the assembly, delivery and execution of the Contract Documents. The CM shall issue to the Contractor on behalf of the Owner the Notice of Award and the Notice to Proceed via OPM System.
- 3.4.2 Time Management.
- 3.4.2.1 Pre-Bid Construction Schedule. The CM shall emphasize to the bidders their responsibilities regarding the Pre-Bid Construction Schedule specified in the Instructions to Bidders or the Contract Documents.
- 3.4.2.2 Master Schedule. The CM shall recommend to the Owner any appropriate revisions to the Master Schedule. Following acceptance by the Owner of such revisions, the CM shall provide a copy of the Master Schedule to the Owner, Architect and to the bidders.
- 3.4.3 Cost Management.
- 3.4.3.1 Analyzing Bids. Upon receipt of the bids, the CM shall evaluate the bids, including alternate bid prices and unit prices, and shall make a recommendation to the Owner regarding the award of the Construction Contract.
- 3.4.4 Management Information System (MIS).
- 3.4.4.1 Project Cost Reports. The CM shall prepare and distribute project cost tracking reports during the Procurement Phase. The reports shall compare actual contract award prices for the Project with Construction Budget costs. All reports via OPM System.
- 3.5 Construction Phase.
- 3.5.1 Project Management.
- 3.5.1.1 Pre-Construction Conference. In consultation with the Owner and Architect, the CM shall conduct a Project Kick-off Conference call or site meeting during which the CM shall review the Project reporting procedures and other requirements for performance of the Work.
- 3.5.1.2 Permits, Bonds and Insurance. The CM shall verify that the Contractor has provided the required permits, bonds, and insurance and have submitted same to the Owner and Landlord as required. Such action by the CM shall not relieve the Contractor of its responsibility to comply with the provisions of the Contract Documents.
- 3.5.1.3 Management and Construction Phase Communication Procedures. The CM shall provide a Project Manager for the Project to provide contract administration as an agent of the Owner, and the CM shall establish and implement coordination and communication procedures among the CM, Owner, Architect and Contractor.
- 3.5.1.4 Contract Administration Procedures. The CM shall establish and implement procedures for reviewing and processing requests for information; shop drawings submittals, samples and other submittals; contract schedule adjustments; request for change orders; work directives, request for substitutions; payment applications; and the maintenance of logs for all documents. As the Owner's representative, the CM shall be the party to whom all such information shall be submitted via OPM System.

- 3.5.1.5 Review of Requests for Information, Shop Drawings, Samples, and Other Submittals. The CM shall examine the Contractor's requests for information, shop drawings, samples, and other submittals, and Architects reply or other action concerning them, to determine the anticipated effect on compliance with the Project requirements, the Project and Construction Budget, and the Master Schedule. The CM may make recommendations to the Architect and Owner to expedite approvals, material deliveries, reduced costs, etc.
- 3.5.1.6 Project Site Meetings. Periodically, the CM shall conduct meetings at the Project site with the General Contractor, Subcontractors. The CM shall also conduct coordination meetings with the Contractor, the Owner and the Architect. The CM shall prepare and distribute minutes to all attendees, the Owner and Architect. The site meetings will be scheduled for once monthly for one overnight trip unless needed more frequently or for extended duration/stay. All travel costs are reimbursable to CM and are not included in the base cost CM agreement.
- 3.5.1.7 Coordination of Other Independent Consultants. Technical inspection and testing provided by others shall be coordinated by the CM. The CM shall receive a copy of all inspection and testing reports and shall provide a copy of such reports to the Architect. The CM shall not be responsible for providing, nor shall the CM control, the actual performance of technical inspection and testing. The CM is performing a coordination function only and the CM is not acting in a manner so as to assume responsibility or liability, in whole or in part, for all or any part of such inspection and testing.
- 3.5.1.8 Minor Variations in the Work. The CM may authorize minor variations in the Work from the requirements of the Contract Documents that do not involve an adjustment in the Contract price or time and which are consistent with the overall intent of the Contract Documents. The CM shall provide to the Architect copies of such authorizations. The CM shall use reasonable judgment in making such variations.
- 3.5.1.9 Change Orders. The CM shall establish and implement a change order control system. All changes to the Contract between the Owner and Contractor shall be only by change orders executed by the Owner via OPM System.
- 3.5.1.9.1 All proposed Owner-initiated changes shall first be described in detail by the CM in a request for a proposal issued to the Contractor. The request shall be accompanied by drawings and specifications prepared by the Architect. In response to the request for a proposal, the Contractor shall submit to the CM, for evaluation, detailed information concerning the price and time adjustments, if any, as may be necessary to perform the proposed change order Work. The CM shall review the Contractor's proposal, shall discuss the proposed change order with the Contractor, and endeavor to determine the Contractor's basis for the price and time proposed to perform the changed Work.
- 3.5.1.9.2 The CM shall review the contents of all Contractor requested changes to the Contract time or price, endeavor to determine the cause of the request, and assemble and evaluate information concerning the request. The CM shall provide the Architect a copy of each change request, and the CM shall, in its evaluations of the Contractor's request, consider the Architects comments regarding the proposed changes.
- 3.5.1.9.3 The CM shall make recommendations to the Owner regarding all proposed change orders. At the Owner's direction, the CM shall prepare and issue to the Contractor appropriate change order documents. The CM shall provide to the Architect copies of all approved change orders. If the Owner does not approve or pay change orders based on CM recommendation, CM assumes no responsibility for delay in project or actions taken by any parties.
- 3.5.1.10 Subsurface and Physical Conditions. Whenever the Contractor notifies the CM that a surface or subsurface condition at the site is encountered that differs from the Plans and Specifications or Contract Documents that

may require a change in the Contract Documents, the CM shall notify the Architect. The CM shall receive from the Architect and transmit to the Contractor all information necessary to prepare a change order as indicated in Paragraph 3.5.1.9.

- 3.5.1.11 Quality Review. The CM shall establish and implement a program to monitor the quality of the Work. The purpose of the program shall be to assist in guarding the Owner against Work by the Contractor that does not conform to the requirements of the Plans, Specification and Contract Documents. The CM shall reject any portion of the Work and transmit to the Owner and Contractor a notice of nonconforming Work when it is the opinion of the CM, Owner, or Architect that such Work does not conform to the requirements of the Contract Documents. Except for minor variations as described in Paragraph 3.5.1.8, the CM is not authorized to change, revoke, alter, enlarge, relax or release any requirements of the Contract Documents or to approve or accept any portion of the Work not conforming with the requirements of the Contract Documents. Communication between the CM and Contractor with regard to quality review shall not in any way be construed as binding the CM or Owner or releasing the Contractor from performing in accordance with the terms of the Contract Documents. The CM will not be responsible for, nor does the CM control, the means, methods, techniques, sequences and procedures of construction for the Project. It is understood that the CM's action in providing quality review under this Agreement is a service of the CM for the sole benefit of the Owner and by performing as provided herein, the CM is not acting in a manner so as to assume responsibility of liability, in whole or in part, for all or any part of the construction for the Project. No action taken by the CM shall relieve the Contractor from its obligation to perform the Work in strict conformity with the requirements of the Contract Documents, and in strict conformity with all other applicable laws, rules and regulations.
- 3.5.1.12 Contractor's Safety Program. The CM shall require each Contractor that will perform Work at the site to prepare and submit to the CM for general review a safety program, as required by the Contract Documents. The CM shall review each safety program to determine that the programs of the various Contractors performing Work at the site, as submitted, provide for coordination among the Contractors of their respective programs. The CM shall not be responsible for any Contractor's implementation of or compliance with its safety programs, or for initiating, maintaining, monitoring or supervising the implementation of such programs or the procedures and precautions associated therewith, or for the coordination of any of the above with the other Contractors performing the Work at the site. The CM shall not be responsible for the adequacy or completeness of any Contractor's safety programs, procedures or precautions.
- 3.5.1.13 Disputes Between Contractor and Owner. The CM shall render to the Owner in writing within a reasonable time, decisions concerning disputes between the Contractor and the Owner relating to acceptability of the Work, or the interpretation of the requirements of the Contract Documents pertaining to the furnishing and performing of the Work.
- 3.5.1.14 Operation and Maintenance Materials. The CM shall receive from the Contractor operation and maintenance manuals, warranties and guarantees for materials and equipment installed in the Project. The CM shall deliver this information to the Owner and shall provide a copy of the information to the Architect via the OPM System.
- 3.5.1.15 Substantial Completion. The CM shall determine when the Project and the Contractor's Work is substantially complete. In consultation with the Architect, the CM shall prepare a "Punch-list" of incomplete Work or Work which does not conform to the requirements of the Contract Documents.
- 3.5.1.16 Final Completion. In consultation with the Architect, the CM shall determine when the Project and the Contractor's Work is finally completed; shall issue a certificate of final completion and shall provide to the Owner a written recommendation regarding payment to the Contractor. The CM will work with the Owner to file a notice of Completion with the County Recorder.

3.5.2 Time Management.

- 3.5.2.1 Master Schedule. The CM shall adjust and update the Master Schedule and distribute copies to the Owner and Architect. All adjustments to the Master Schedule shall be made for the benefit of the Project.
- 3.5.2.2 Contractor's Construction Schedule. The CM shall review the Contractor's Construction Schedule and shall verify that the schedule is prepared in accordance with the requirements of the Contract Documents and that it establishes completion dates that comply with the requirements of the Master Schedule.
- 3.5.2.3 Construction Schedule Report. The CM shall, on a monthly basis, review the progress of construction of the Contractor, shall evaluate the percentage complete of each construction activity as indicated in the Contractor's Construction Schedule and shall review such percentages with the Contractor. This evaluation shall serve as data for input to the periodic Construction Schedule report that shall be prepared and distributed to the Contractor, Owner and Architect by the CM. The report shall indicate the actual progress compared to scheduled progress and shall serve as the basis for the progress payments to the Contractor. The CM shall advise and make recommendations to the Owner concerning the alternative courses of action that the Owner may take in its efforts to achieve Contract compliance by the Contractor.
- 3.5.2.4 Effect of Change Orders on the Schedule. Prior to the issuance of a change order, the CM shall determine and advise the Owner as to the effect on the Master Schedule of the change. The CM shall verify that activities and adjustments of time, if any, required by approved change orders have been incorporated into the Contractor's Construction Schedule.
- 3.5.2.5 Recovery Schedules. The CM may require the Contractor to prepare and submit a recovery schedule as specified in the Contract Documents.

3.5.3 Cost Management.

- 3.5.3.1 Schedule of Values (Each Contract). The CM shall, in participation with the Contractor, determine a schedule of values for the construction Contract. The schedule of values shall be the basis for the allocation of the Contract price to the activities shown on the Contractor's Schedule of Values and Construction Schedule.
- 3.5.3.2 Allocation of Cost to the Contractor's Construction Schedule. The Contractor's Construction Schedule will have percentage complete associated with each trade on the schedule of values and will be updated weekly/monthly and the percentage complete should equal the trade line item billed on the contractor pay application.
- 3.5.3.3 Effect of Change Orders on Cost. The CM shall advise the Owner as to the effect on the Project and Construction Budget of all proposed and approved change orders via OPM System report.
- 3.5.3.4 Cost Records. In instances when a lump sum or unit price is not determined prior to the Owner's authorization to the Contractor to perform change order Work, the CM may issue, on the Owner's behalf, a work directive. Upon completion of the work, the CM shall request from the Contractor records of the cost of payroll, materials and equipment incurred and the amount of payments to each subcontractor by the Contractor in performing the Work. CM shall then issue a formal change order for the total amount.
- 3.5.3.5 Progress Payments. The CM shall review the payment applications submitted by the Contractor and Vendors to determine whether the amount requested reflects the progress of the Work Completed. The CM shall review conditional and unconditional releases provided and approve/deny the pay application. Once the pay application has been approved, the Owner will be responsible to provide final approval in the OPM System

and issue the payment. A list of all payments made by the Owner is to be provided to the CM on a Monthly basis for budget and release tracking.

3.5.4 Management Information System (MIS).

3.5.4.1 The CM shall prepare and distribute weekly reports during Construction via OPM System. The reports shall provide weekly updates with progress photos, action items, change orders, RFI'S and submittals pending.

3.5.4.2 Project Cost Reports. The CM shall prepare and distribute Project cost reports during Construction. The reports shall compare actual Project costs to the Construction Budget.

3.5.4.3 Construction Budget Revisions. The CM shall make recommendations to the Owner concerning changes that may result in revisions to the Construction Budget.

3.5.4.4 Change Order Log: During the construction phase, the CM shall periodically prepare and distribute change order logs. The log shall list all Owner-approved change orders by number, a brief description of the change order work, the cost established in the change order and percent of completion of the change order work. The log may also include similar information for potential change orders of which the CM may be aware.

3.6 Post-Construction Phase.

3.6.1 Project Management.

3.6.1.1 Record Documents. The CM shall coordinate and expedite submittals of information from the Contractor to the Architect for preparation of record As-Built drawings and specifications and shall coordinate and expedite the transmittal of such record documents to the Owner.

3.6.1.2 Operation and Maintenance Materials and Certificates. Prior to the final completion of the Project, the Contractor shall compile manufacturers' operations and maintenance manuals, warranties and guarantees, and certificates, and index document on OPM System at CM direction. This information shall then be provided to the Owner and Landlord.

3.6.1.3 Occupancy Permit. The CM shall assist the Owner in obtaining an occupancy permit by coordinating final testing, preparing and submitting documentation to governmental agencies, and accompanying governmental officials during inspections of the Project. The Certificate of Occupancy and all related inspections are the responsibility of the Contractor. The CM's involvement shall be to assist in procurement of the Occupancy Permit, but takes no responsibility for completion of the tasks or approvals of any agencies.

3.6.2 Cost Management.

3.6.2.1 Change Orders. During the post-construction phase, the CM shall continue to provide services related to change orders as specified in Paragraph 3.5.3.3.

3.6.3 Close Out. At the conclusion of the Project, the CM shall prepare and deliver to the Owner final Project accounting and close out documents.

ARTICLE 4 - ADDITIONAL SERVICES

4.1 At the request of the Owner, the CM shall perform Additional Services and the CM shall be compensated for same, as provided in Article 8 of this Agreement. The CM shall be obligated to perform Additional Services

only after the Owner and CM have executed a written amendment to this Agreement providing for performance of such services. Additional Services may include, but are not limited to:

- 4.1.1 Services during the design or construction phases related to investigation, appraisal or evaluation of surface or subsurface conditions at or contiguous to the site or other existing conditions, facilities, or equipment that differs from what is indicated in the Contract Documents, or determination of the accuracy of existing drawings or other information furnished by the Owner;
- 4.1.2 Services related to the procurement, storage, maintenance and installation of the Owner-furnished equipment, materials, supplies and furnishings;
- 4.1.3 Services related to determination of space needs;
- 4.1.4 Preparation of space;
- 4.1.5 Services related to building site investigations and analysis;
- 4.1.6 Services related to tenant or rental spaces;
- 4.1.7 Preparation of a Project financial feasibility study;
- 4.1.8 Preparation of financial, accounting or MIS reports not provided under Basic Services;
- 4.1.9 Performance of technical inspection and testing;
- 4.1.10 Preparation of an operations and maintenance manual;
- 4.1.11 Services related to recruiting and training of maintenance personnel;
- 4.1.12 Services provided in respect to a dispute between the Owner and the Contractor after the CM has rendered its decision thereon in accordance with Paragraph 3.5.1.13;
- 4.1.13 Performing warranty inspections during the warranty period of the Project;
- 4.1.14 Consultation regarding replacement of Work or property damaged by fire or other cause during construction and furnishing services in connection with the replacement of such;
- 4.1.15 Service made necessary by the default of the Contractor;
- 4.1.16 Preparation for and serving as a witness in connection with any public or private hearing or arbitration, mediation or legal proceeding;
- 4.1.17 Assisting the Owner in public relations activities, including preparing information for and attending public meetings;
- 4.1.18 Assisting the Owner with procurement and preparation of contracts in connection with the occupancy of the Project, and providing personnel to oversee the location of furniture and equipment;
- 4.1.19 Services related to the initial operation of any equipment such as start-up, testing, adjusting and balancing.

4.1.20 Any other services not otherwise included in this Agreement.

ARTICLE 5 - DURATION OF THE CONSTRUCTION MANAGER'S SERVICES

5.1 The commencement date for the CM's Basic Services shall be the date of the execution of this Agreement.

5.2 The duration of the CM's Basic Services under this Agreement shall end upon the completion of the "Close Out" as described in section 3.6.3 of this Agreement..

5.3 The duration of the CM's Basic Services may be changed only as specified in Article 6.

ARTICLE 6 - CHANGES IN THE CONSTRUCTION MANAGER'S BASIC SERVICES AND COMPENSATION

6.1 Owner Changes.

6.1.1 The Owner, without invalidating this Agreement, may request changes in the CM's Basic Services specified in Article 3 of this Agreement. The CM shall promptly notify the Owner of changes that increase or decrease the CM's compensation or the duration of the CM's Basic Services, or both.

6.1.2 If the scope or duration of the CM's Basic Services is changed, the CM's compensation shall be adjusted equitably. A written proposal indicating the change in compensation, a change in the scope, or duration of Basic Services, shall be provided by the CM to the Owner within thirty (30) days of the occurrence of the event giving rise to such request. The amount of the change in compensation shall be determined on the basis of the CM's cost and a customary and reasonable adjustment in the CM's Fixed Fee, Lump Sum, or multipliers and rates consistent with the provisions of Article 8.

6.2 Authorization.

6.2.1 Changes in CM's Basic Services, entitlement to additional compensation, or a change in duration of this Agreement shall be made by a written amendment to this Agreement executed by the Owner and the CM. The amendment shall be executed by the Owner and CM prior to the CM performing the services required by the amendment.

6.2.2 The CM shall proceed to perform the services required by the amendment only after receiving written notice from the Owner directing the CM to proceed.

6.3 Invoices for Additional Compensation.

6.3.1 The CM shall submit invoices for additional compensation with its invoice for Basic Services and payment shall be made pursuant to the provisions of Article 8 of this Agreement.

ARTICLE 7 - OWNER'S RESPONSIBILITIES

7.1 The Owner shall provide to the CM complete information regarding the Owner's knowledge of and requirements for the Project. The Owner shall be responsible for the accuracy and completeness of all reports, data, and other information furnished pursuant to this Paragraph 7.1. The CM may use and rely on the information furnished by the Owner in performing services under this Agreement, and on the reports, data, and other information furnished by the Owner to the Architect.

- 7.2 The Owner shall be responsible for testing and presence at the site of , and removal of, any asbestos, PCB's, petroleum, hazardous materials and radioactive materials, and the consequences of such presence.
- 7.3 The Owner shall examine information submitted by the CM and shall render decisions pertaining thereto promptly.
- 7.4 The Owner shall furnish legal, accounting and insurance counseling services as may be necessary for the Project.
- 7.5 The Owner shall furnish insurance for the Project as specified in Article 9.
- 7.6 If the Owner observes or otherwise becomes aware of any fault or defect in the Project or CM's services or any Work that does not comply with the requirements of the Contract Documents, the Owner shall give prompt written notice thereof to the CM.
- 7.7 The Owner shall furnish required information and approvals and perform its responsibilities and activities in a timely manner to facilitate orderly progress of the Work in cooperation with the CM consistent with this Agreement and in accordance with the planning and scheduling requirements and budgetary restraints of the Project, as determined by the CM.
- 7.8 The Owner shall retain an Architect whose services, duties and responsibilities shall be described in a written agreement between the Owner and Architect. The Owner shall, in its agreement with the Architect, require that the Architect perform its services in cooperation with the CM, consistent with this Agreement and in accordance with the planning, scheduling and budgetary requirements of the Project, as determined by the Owner and documented by the CM. The terms and conditions of the agreement between the Owner and the Architect shall not be changed or waived without written consent of the CM, whose consent shall not be unreasonably withheld.
- 7.9 The Owner shall approve the Project and construction budget and any subsequent revisions as provided in Paragraph 3.2.3.2 of this Agreement.
- 7.10 The Owner shall cause any and all agreements between the Owner and others to be compatible and consistent with this Agreement. Each of the agreements shall include waiver of subrogation and shall expressly recognize the CM as the Owner's agent in providing the CM's Basic and Additional Services specified in this Agreement.
- 7.11 At the request of the CM, sufficient copies of the Contract Documents shall be furnished by the Owner at the Owner's expense.
- 7.12 The Owner shall, in a timely manner secure, submit and pay for necessary approvals, easements, assessments, permits and charges required for the construction, use or occupancy of permanent structures or for permanent changes in existing facilities.
- 7.13 The Owner shall furnish evidence satisfactory to the CM that sufficient funds are available and committed for the entire cost of the Project. Unless such reasonable evidence is furnished, the CM is not required to commence the CM's services and may, if such evidence is not presented within a reasonable time, suspend the services specified in this Agreement upon fifteen (15) days written notice to the Owner. In such event, the CM may terminate the agreement and be compensated in the manner provided in Paragraph 10.2.
- 7.14 The Owner, its representatives and consultants shall communicate with the Contractor only through the CM.
- 7.15 The Owner shall send to the CM and shall require the Architect to send to the CM, copies of all notices and communications sent to or received by the Owner or the Architect relating to the Project. During the construction

phase of the Project, the Owner shall require that the Contractor submit all notices and communications relating to the Project directly to the CM via the OPM System.

- 7.16 The Owner shall designate, in writing, an officer, employee or other authorized representatives to act in the Owner's behalf with respect to the project. This representative shall have the authority to approve changes in the scope of the Project and shall be available during working hours and as often as may be required to render decisions and to furnish information in a timely manner.
- 7.17 The Owner shall make payments to the Contractor as recommended by the CM on the basis of the Contractor's applications for payment.
- 7.18 In the case of the termination of the Architects services, the Owner shall appoint a new Architect who shall be acceptable to the CM and whose responsibilities with respect to the Project and status under the new Agreement with the Owner shall be similar to that of the Architect under the Owner-Architect Agreement and the Contract Documents.

ARTICLE 8 - COMPENSATION FOR CM SERVICES AND PAYMENT

8.1 Compensation Basis

- 8.1.1 The CM shall receive compensation (Lump Sum plus Travel Expenses) for its services in accordance with Paragraph 8.2 (Compensation).

8.2 Compensation.

- 8.2.1 Lump Sum. The Owner shall compensate the CM for performing Basic Services described in Article 3, a Lump Sum in the amount of Thirty Five Thousand dollars (\$35,000), which amount shall be paid in two monthly installments as follows:

1. Permit Set Submitted to City	\$17,500.00
2. Closeout Package	\$17,500.00

- 8.2.2 Direct Expenses. The cost of direct expenses incurred shall be included in the Lump Sum.

- 8.2.3 Travel Expenses. The cost of travel expenses or additional and shall not be included in the Lump Sum. Reasonable travel expenses associated with the construction management services to be rendered pursuant to Article 3 shall be billed separately, as described herein, and shall not be included in the Lump Sum. CM shall present Owner with receipts for such travel and CM will be reimbursed within twenty-one (21) calendar days of presenting such receipts.

- 8.2.4 Payments. Payments shall be made monthly, not later than fifteen (15) days after receipt of the CM's invoice by the Owner.

- 8.2.4.1 No deductions shall be made from the CM's compensation due to any claim of the Owner, Contractor or others not a party to this agreement or due to any liquidated damages, retainage or other sums withheld from payments to Contractor or others not a party to this Agreement.

- 8.2.4.2 Payments due the CM that are unpaid for more than thirty (30) days from the date of the CM's invoice shall bear interest at the annual rate of ____% from the due date, compounded monthly. In addition, since timely

payment is an essential condition of this Agreement, the CM may, after giving seven (7) days written notice to the Owner, suspend services under this Agreement until the CM has been paid in full all amounts due for services, expenses and charges, including accrued interest.

ARTICLE 9 - INSURANCE AND MUTUAL INDEMNITY

9.1 Construction Manager's Liability Insurance.

- 9.1.1 General Liability. The CM shall procure and maintain insurance for protection from claims under Worker's Compensation Acts, from claims for damages because of bodily injury including personal injury, sickness or disease, death of any or all employees, or of any person other than such employees, and from claims or damages because of injury to or destruction of property, including loss of use resulting therefrom.
- 9.1.2 Commercial General Liability Insurance may be obtained under a single policy for the full limits required or by a combination of underlying policies with the balance provided by an excess or umbrella policy.
- 9.1.3 The foregoing policies shall contain a provision that coverages afforded under the policies shall not be cancelled or expire until at least thirty (30) days written notice has been given to the Owner and shall include either a liability endorsement covering this Agreement or an endorsement making the Owner an additional insured under the policies. Certificates of insurance showing such coverages to be in force shall be filed with the Owner prior to commencement of the CM's services.
- 9.1.3.1 Professional Liability. The CM shall procure and maintain professional liability insurance for protection from claims arising out of the performance of professional services caused by a negligent error, omission or act for which the insured is legally liable; such liability insurance will provide for coverage in such amounts, with such deductible provisions and for such period of time as required by the Owner and are commercially available. Certificates indicating that such insurance is in effect shall be delivered to the Owner. The CM shall also cause the independent engineers, architects and other consultants retained by the CM for the Project to procure and maintain professional liability insurance coverage, for at least such amounts, deductibles, and periods as determined by the Owner.

9.2 Owner's Insurance.

- 9.2.1 The Owner shall be responsible for purchasing and maintaining its own liability insurance, and at the Owner's option, may purchase and maintain such additional insurance to protect the Owner against claims losses, or damages that may arise from the Project.
- 9.2.2 The CM, as agent of the Owner, shall be named as an additional insured in any insurance policy obtained by the Owner and the Contractor for the Project.

9.3 Notices and Recovery.

- 9.3.1 The Owner and CM each shall provide the other with copies of all policies thus obtained for the Project. Each party shall provide the other thirty (30) days written notice of cancellation, non-renewal or endorsement reducing or restricting coverage.

9.4 Waiver of Subrogation

- 9.4.1 The Owner and the CM waive all rights against each other and against the Contractor, Architect, and other consultants, subcontractors, suppliers, agents and employees of the other for damages during construction covered by any property insurance as set forth in the Contract Documents. The Owner and the CM shall each require appropriate similar waivers from their contractors, architect, and other consultants, subcontractors, suppliers, agents and employees.

9.5 Indemnity.

- 9.5.1 The Owner shall cause the Architect to indemnify and hold harmless the Owner, its employees, agents and representatives to the same extent and in the same manner that CM has provided indemnification for the Architect under Paragraph 9.5.1.
- 9.5.2 The Owner hereby indemnifies and holds harmless the CM and its employees, agents and representatives from and against any and all claims, demands, suits and damages for bodily injury and property damage for which the Owner is liable that arise out of or result from negligent acts or omissions of the Owner, its employees, agents, representatives, independent contractors, suppliers, the Contractor and the Architect.
- 9.5.3 The Owner shall cause the Contractor to indemnify and hold harmless the CM from and against any and all claims, demands, suits, damages, including consequential damages and damages resulting from personal injury or property damage, costs, and expenses and fees that are asserted against the CM and that arise out of or result from negligent acts or omissions by the Contractor, its employees, agents and representatives in performing the Work.

ARTICLE 10 - TERMINATION AND SUSPENSION

10.1 Termination.

- 10.1.1 This Agreement may be terminated by the Owner for convenience after seven (7) days written notice to the CM.
- 10.1.2 This Agreement may be terminated by either party hereto upon seven (7) days written notice should the other party fail to substantially perform in accordance with the terms hereof through no fault of the terminating party, or if the Project in whole or substantial part is stopped for a period of sixty (60) days under an order of any court or other public authority having jurisdiction or as result of an act of government.
- 10.1.3 In the event of termination under Paragraph 10.1.1, the CM shall be paid its compensation for services performed to the date of termination, services of engineers, architects and consultants then due and all termination expenses. Termination expenses are defined as those expenses arising prior, during and subsequent to termination that are directly attributable to the termination, plus an amount computed as a percentage of the total compensation earned at the time of termination computed as follows:
- 10.1.3.1 Twenty (20) percent if the termination occurs during the Pre-Design Phase, Design Phase or Procurement Phase; or
- 10.1.3.2 Ten (10) percent if the termination occurs during the Construction Phase or Post-Construction Phase.
- 10.1.4 In the event of termination under Paragraph 10.1.2, the CM shall be paid its compensation for services performed to the date of termination, services of professional consultants then due and all termination expenses.

No amount computed as provided in Paragraphs 10.1.3.1 and 10.1.3.2 shall be paid in addition if the termination is due to the CM's failure to substantially perform in accordance with the terms of this Agreement.

10.2 Suspension.

- 10.2.1 The Owner may, in writing, order the CM to suspend all or any part of the CM's services for the Project for the convenience of the Owner or for stoppage beyond the control of the Owner or the CM. If the performance of all or any part of the services for the Project is so suspended, an adjustment in the CM's compensation shall be made for the increase, if any, in the cost of the CM's performance of this Agreement caused by such suspension and this Agreement shall be modified in writing accordingly.
- 10.2.2 In the event the CM's services for the Project are suspended, the Owner shall reimburse the CM for all of the costs of its construction site staff, assigned Project home office staff and other costs as provided for by this Agreement for the first thirty (30) days of such suspension. The CM shall reduce the size of its project staff for the remainder of the suspension period as directed by the Owner and, during such period, the Owner shall reimburse the CM for all of the costs of its reduced staff. Upon cessation of the suspension, the CM shall restore the construction site staff and home office staff to its former size.
- 10.2.3 Persons assigned by the CM to another project during such suspension periods and not available to return to the Project upon cessation of the suspension shall be replaced. The Owner shall reimburse the CM for costs incurred for relocation of previous staff persons returning to the Project or for new persons assigned to the Project.
- 10.2.4 If the Project is suspended by the Owner for more than three (3) months, the CM shall be paid compensation for services performed prior to receipt of written notice from the Owner of the suspension, together with direct expenses then due and all expenses and costs directly resulting from the suspension. If the Project is to be resumed after being suspended for more than six (6) months, the CM shall have the option of requiring that its compensation, including rates and fees, be renegotiated, that payments required hereunder shall have been made by the Owner, and that adjustments to this Agreement related to the suspension have been made by written amendment to this Agreement. Subject to the provisions of this Agreement relating to termination, a suspension of the Project does not void this Agreement.

ARTICLE 11 - DISPUTE RESOLUTION

11.1 Governing Law.

- 11.1.1 The Contract Documents and any action arising in connection with or in any way related to the Contract Documents shall be governed, construed, interpreted and enforced in accordance with the laws of the state in which the Project is located, without reference to its conflict of law rules or principles.

11.2 Negotiation and Mediation.

- 11.2.1 The Owner and the CM shall submit all unresolved claims, counterclaims, disputes, controversies, and other matters in question between them arising out of or relating to this Agreement or the breach thereof ("Disputes"), to negotiation and mediation prior to either party initiating against the other a demand for arbitration pursuant to Paragraph 11.3 below, unless delay in initiating or prosecuting a proceeding in an arbitration or judicial forum would prejudice the Owner or the CM. Negotiation shall consist of a review and in-person discussion of the disputed claim by a senior level executive of each party (in the case of Owner, by a Vice President or higher). If the senior level executives cannot resolve the disputed claim, the parties shall submit such disputed claim to non-binding mediation by a third-party mediator. The parties mutually acknowledge and agree that all

negotiation and mediation proceedings shall be strictly confidential to encourage settlement, and no information exchanged in such confidential negotiations and mediation shall be discoverable or admissible in any arbitration involving the parties. The Owner and the CM shall agree in writing as to the identity of the mediator and the rules and procedures of the mediation. If the Owner and CM cannot agree to a mediator, the dispute shall be submitted to mediation under the then current Construction Industry Mediation Rules of the American Arbitration Association.

11.3 Arbitration.

- 11.3.1 All disputes that the Owner and CM are unable to resolve by mediation as aforesaid shall be decided by arbitration, subject to the limitations provided herein. The agreement to arbitrate, and any other agreement or consent to arbitrate entered into in accordance herewith shall be specifically enforceable under the prevailing law of any court having jurisdiction. The Owner and the CM shall agree in writing as to the identity of the arbitrator(s) and the rules and procedures of the arbitration. If the Owner and the CM do not so agree, then the Owner and the CM shall submit the dispute to arbitration under the then current Construction Industry Rules of the American Arbitration Association.
- 11.3.2 Notice of demand for arbitration must be filed in writing with the other party to this Agreement and with the arbitrator(s). The demand must be made within a reasonable time after the dispute has arisen, but not prior to or during the pendency of the mediation as agreed in Paragraph 11.2.1. In no event may the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such dispute in question would be barred by the applicable statute of limitations or of repose.
- 11.3.3 No arbitration arising out of, or relating to, this Agreement may include, by consolidation, joinder or in any other manner, any person or entity who is not a party to this Agreement unless both parties agree otherwise in writing. No consent to arbitration in respect of a specifically described dispute will constitute consent to arbitrate any other dispute which is not specifically described in such consent or which is with any party not specifically described therein.
- 11.3.4 All demands for arbitration and answering statements thereto which include any monetary claim must contain a statement that the total sum or value in controversy as alleged by the party making such demand or answering statement is not more than \$200,000.00 (exclusive of interest and costs). The arbitrators will not have jurisdiction, power or authority to consider, or make findings (except in denial of their own jurisdiction) concerning any claim, counterclaim, dispute or other matter in question where the amount in controversy of any such claim, counterclaim, dispute or matter is more than \$200,000.00 (exclusive of interest and costs), or to render a monetary award in response thereto against any party which totals more than \$200,000.00 (exclusive of interest and costs).
- 11.3.5 The award rendered by the arbitrator(s) will be final, judgment may be entered upon it in any court having jurisdiction thereof, and the award will not be subject to modification or appeal. In any judicial proceeding to enforce this Agreement to arbitrate, the only issues to be determined shall be those set forth in 9 U.S.C. Section 4 Federal Arbitration Act, and such issues shall be determined by the Court without a jury. All other issues, such as, but not limited to, arbitrability, prerequisites to arbitration, compliance with contractual time limits, applicability of indemnity clauses, clauses limiting damages and statutes of limitations shall be for the arbitrator(s), whose decision thereon shall be final and binding. There shall be no interlocutory appeal of an order compelling arbitration.
- 11.3.6 Those matters that require a party to seek injunctive or other equitable relief to mitigate further damage may be excluded from the mediation and arbitration provisions as set forth herein. In such matters, the parties hereto consent to the exclusive jurisdiction of the state and federal courts sitting in the county in which the Project is

located, which shall have the exclusive jurisdiction regarding the dispute and to whose jurisdiction the parties irrevocably submit.

- 11.3.7 If a party hereto fails to arbitrate as required and does not fall within any of the exclusions set forth above, the party shall be deemed to have breached the Contract Documents and, as a result of such breach, the aggrieved party may file suit in a court of law in accordance with the jurisdictional provisions provided herein, and be entitled to full and complete remedies available to it under the applicable law in which the Project is located.
- 11.3.8 The prevailing party in an arbitration or judicial proceeding shall be entitled to recover its costs and reasonable attorneys' fees, consultants' and experts' fees, costs, charges, and expenses from the non-prevailing party in any action brought to enforce the Contract Documents.
- 11.4 Unless otherwise agreed in writing, the CM shall continue to carry out its responsibilities under this Agreement during any dispute, and the Owner shall continue to make payments in accordance with this Agreement.

ARTICLE 12 - ADDITIONAL PROVISIONS

12.1 Confidentiality.

- 12.1.1 Owner acknowledges that certain of CM's valuable, confidential and proprietary information may come into the Owner's possession. Accordingly, the Owner agrees to hold all information it obtains from or about CM in strictest confidence, not to use such information other than for the performance of the services, and to cause any of its employees, Subcontractors or consultants to whom such information is transmitted to be bound to the same obligation of confidentiality to which Owner is bound. Owner shall not communicate CM's information in any form to any third party without CM's prior written consent. In the event of any violation of this provision, CM shall be entitled to preliminary and permanent injunctive relief as well as an equitable accounting of all profits or benefits arising out of such violation, which remedy shall be in addition to any other rights or remedies to which CM may be entitled, including all attorneys' fees incurred in enforcing this provision. Subparagraph 12.1.1 shall survive the expiration or earlier termination of this Contract. Furthermore, the following provisions shall also apply:
- 12.1.2 Confidential Information. Each party agrees that any confidential and proprietary information, materials, and intellectual property to which it gains access by virtue of the Work provided in connection with these Contract Documents are confidential and proprietary to the disclosing party, except as otherwise provided for herein. "Confidential Information" means all information (whether in written, oral, electronic, or visual form), which is of a non-public, proprietary, or confidential nature, disclosed by such party ("Disclosing Party") or its affiliates or authorized representatives to the other party ("Receiving Party"), including, but not limited to, proprietary, technical, developmental, operating, financial, performance, cost, know-how, marketing, engineering, operational, economic, legal, informational, data, process, and prospect information; trade secrets, intellectual property, inventions, copyrights, patents, patent applications; contracts, marketing materials and strategies, customer lists; software programs; and all samples, models, ideas, and prototypes containing or disclosing such information, of any nature whatsoever relating to the future, present, or past business operation, plans, or assets of the Disclosing Party. Confidential Information shall also include the terms and conditions of this these Contract Documents.
- 12.1.3 Disclosure and Use of Confidential Information. Receiving Party will not, without prior written consent from Disclosing Party, disclose to any individual or entity any such Confidential Information, and will use such Confidential Information only as may be reasonably necessary to perform its duties

under these Contract Documents. Confidential Information disclosed to Receiving Party under these Contract Documents shall be treated with the same degree of care (provided that such is at least a reasonable degree of care) to avoid disclosure to third parties as Receiving Party normally uses to protect its own confidential or proprietary information. Receiving Party shall ensure that its officers, employees, agents and representatives who need to have access to Confidential Information sign, or have signed, a non-use and non-disclosure agreement in content substantially similar to the provisions hereof prior to any disclosure of Confidential Information to such persons. Without limiting the generality of the foregoing:

- 12.1.3.1 Receiving Party shall disclose Confidential Information only to those of the Receiving Party's authorized representatives, advisors, and/or agents who need access to such Confidential Information for purposes in connection with these Contract Documents and to no one else. Receiving Party agrees to be responsible for any breach of these Contract Documents by any of its authorized representatives, advisors, and agents.
- 12.1.3.2 Receiving Party shall assure that all persons who receive any of the Confidential Information from it will abide by the terms and conditions of these Contract Documents as if such persons were parties hereto.
- 12.1.3.3 Receiving Party acknowledges that any unauthorized disclosure or use of any Confidential Information shall be considered a material breach of these Contract Documents and may result in irreparable harm to Disclosing Party. In addition to the right to recover monetary damages for such a breach, Disclosing Party shall have the right to seek injunctive relief from a court of competent jurisdiction.
- 12.1.4 Permitted Disclosures. There shall be no liability for breach of the restrictions contained in this section on use and disclosure of Confidential Information: (i) if such information was already in the public domain or became publicly available through no breach of these Contract Documents by the Receiving Party; (ii) if the information was rightfully in the Receiving Party's possession without obligation of confidence prior to receipt from the Disclosing Party or if the Receiving Party lawfully obtained said information from a third party who was under no obligation of confidence; (iii) if such information was independently developed by the Receiving Party without reference to, or use of the Disclosing Party's Confidential Information; or (iv) if such information is disclosed with the prior written consent of the Disclosing Party.
- 12.1.5 Required Disclosures. Notwithstanding the above, the Receiving Party may disclose certain Confidential Information of the Disclosing Party, without violating the obligations of these Contract Documents, to the extent such disclosure is required to be disclosed by the Receiving Party to comply with a judicial order or decree, or to comply with applicable law; provided, however, that the Receiving Party agrees to give prior written notice of such disclosure to the Disclosing Party and to take any reasonable and lawful actions available to it to avoid and/or minimize the extent of such disclosure, including, but not limited to, assisting the Disclosing Party in obtaining a protective order preventing or limiting the disclosure and/or requiring that the Confidential Information so disclosed be used only for purposes for which the law or regulation required, or for which the order or decree was issued.
- 12.1.6 Return of Confidential Information. All Confidential Information provided to the Receiving Party remains the property of Disclosing Party and, to the extent it is within Receiving Party's ability to do so, all such information will be returned by Receiving Party to Disclosing Party upon termination of these Contract Documents within a reasonable time and upon written demand by Disclosing Party.

Receiving Party shall not make or retain any copies, excerpts, summaries, or other reproductions, except as required for performance of these Contract Documents, provided, however, that Receiving Party may maintain, as confidential, an archival copy of Confidential Information to the extent it is required to maintain a record of the transactions under these Contract Documents or at law.

12.1.7 Notice of Unauthorized Disclosure. The Receiving Party will immediately notify the Disclosing Party upon discovery of any loss or unauthorized disclosure of the Confidential Information of the Disclosing Party.

12.1.8 Miscellaneous Disclosures. The CM is to disseminate communications regarding completion of the Project between the CM, Designer, and Contractor, and their independent professional engineers, architects and other consultants and subcontractors; for publicity approved by the Owner; and communications in connection with filings with governmental bodies having jurisdiction over the design or construction of the Project.

12.2 Limitation and Assignment.

12.2.1 TO THE FULLEST EXTENT PERMITTED BY LAW, THE TOTAL LIABILITY, IN THE AGGREGATE, OF CM, CM'S OFFICERS, DIRECTORS, PARTNERS, EMPLOYEES, AGENTS, AND SUBCONSULTANTS, TO OWNER, AND ANYONE CLAIMING BY, THROUGH, OR UNDER OWNER FOR ANY CLAIMS, LOSSES, COSTS, OR DAMAGES WHATSOEVER ARISING OUT OF, RESULTING FROM OR IN ANY WAY RELATED TO THIS PROJECT OR AGREEMENT FROM ANY CAUSE OR CAUSES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, PROFESSIONAL ERRORS AND OMISSIONS, STRICT LIABILITY, BREACH OF CONTRACT, OR BREACH OF WARRANTY, SHALL NOT EXCEED THE TOTAL COMPENSATION RECEIVED BY CM OR \$50,000 WHICHEVER IS GREATER.

12.2.2 Owner and the CM each respectively, binds themselves, their partners, successors, assigns and legal representatives to the other party hereto and to their partners, successors, assigns and legal representatives of such party in respect to all covenants, agreements and obligations contained in this Agreement. Neither Party shall assign the Contract or any portion thereof without the prior written consent of the other Party, nor shall either Party assign or grant a security interest in any moneys due or to become due to it hereunder, without the previous written consent of the other Party.

12.3 Extent of Agreement.

12.3.1 This Agreement constitutes the entire agreement between the parties and incorporates all prior agreements and understandings in connection with the subject matter hereof. This Agreement may be amended only by a written amendment signed by the Owner and CM.

12.4 Severability.

12.4.1 In the event any provision of this PC shall be found unenforceable by an arbitrator or a court of competent jurisdiction, the provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefits contemplated herein to the fullest extent permitted by law. If a modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

12.5 Meaning of Terms.

- 12.5.1 References made in the singular shall include the plural and the masculine shall include the feminine. The meaning of terms used herein shall be consistent with the definitions expressed in the Form Agreements, Contracts and General Conditions, if applicable.

12.6 Notices.

- 12.6.1 Whenever any provision of the Contract Documents requires the giving of written notice, it shall be deemed to have been validly given if delivered in person to the individual or to a member of the firm or to an officer of the corporation for whom it is intended or if delivered or sent by registered or certified mail, postage prepaid, addressed as follows:

To the Owner:

To the CM:

Reins International (USA) Co., Ltd.
Attn: Akitsugu Yamaguchi
20000 Mariner Ave. Ste. 500
Torrance, CA 90503

- 12.7 It is expressly agreed that neither the Contractor, its subcontractors and suppliers, any other contractors or consultants of the Owner or CM, nor any other person or party providing any part of the design services or Construction Work are intended beneficiaries of this Agreement.

12.8 Independent Contractor.

- 12.8.1 Nothing in these Contract Documents shall be construed to make the parties hereto partners, joint venturers, representatives, or agents of each other, nor shall either party so represent to any third person. The parties hereunder are acting in performance of these Contract Documents as independent contractors engaged in the operation of their own respective businesses. A party's employees, agents, or representatives are not employees or agents of the other party and are not entitled to any of the other party's benefits. Neither party shall be responsible for payment of the other party's workers' compensation, disability benefits, or unemployment insurance, nor shall it be responsible for withholding or paying employment related taxes for the other party or its employees.

12.9 Rights and Remedies.

- 12.9.1 The duties and obligations imposed by the Contract Documents and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law.
- 12.9.2 No action or failure to act by CM or its representatives shall constitute a waiver of any right or duty afforded CM under the Contract, nor shall any such action or failure to act constitute an approval of or acquiescence in any breach thereunder, except as may be specifically agreed in writing. The invalidity of any part or provision of the Contract Documents shall not impair or affect in any manner whatsoever the validity, enforceability or effect of the remainder of the Contract Documents.

12.9.3 Owner shall check or cause to be checked, all materials, equipment and labor and shall keep such full and detailed accounts as may be necessary for proper financial management under the Contract Documents. The system shall be satisfactory to CM. CM shall be afforded access to all the Owner's records, books, correspondence, instructions, drawings, receipts, vouchers, memorandums and similar data relating to the Project for audit or other purposes for such period as the records are required to be maintained herein. Notwithstanding any other provisions contained herein, the Contract Sum shall not be modified pursuant to the provisions of this paragraph.

THE PARTIES ACKNOWLEDGE THEY HAVE READ THIS AGREEMENT IN ITS ENTIRETY AND HAVE CAUSED THEIR AUTHORIZED REPRESENTATIVES TO DULY EXECUTE THIS AGREEMENT, EFFECTIVE AS OF THE EFFECTIVE DATE.

IT IS SO AGREED.

OWNER:

OWNER NAME ADDRESS INFO

Dated: _____

By: _____

NAME

Its: TITLE

CONSTRUCTION MANAGER:

Reins International (USA) Co. Ltd.

20000 Mariner Ave. Suite 500 Torrance, CA 90503

Dated: _____

By: _____

Mr. Mark Sugimoto, New Store Development Department

Dated: _____

By: _____

Mr. Raphael Padiernos, New Store Development Department

Dated: _____

By: _____

Mr. Akitsugu Yamaguchi, COO

GYU-KAKU

STATE EFFECTIVE DATES

EXHIBIT I

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Maryland	Pending
Michigan	May 25, 2023
Minnesota	Pending
New York	Pending
Virginia	Pending
Washington	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

GYU-KAKU

RECEIPTS

EXHIBIT J

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. New York law requires a franchisor to provide a Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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 appropriate state agency listed in Exhibit E.

We have no franchise brokers. The names, address and telephone number of the franchise sellers for this offering are Ian Downes, Masaki Koyama and Akitsugu Yamaguchi, 20000 Mariner Avenue, Suite 500, Torrance, California 90503; telephone 310-214-9572.

Date of Issuance: May 25, 2023.

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 issued May 25, 2023, that included the following Exhibits:

- "A" Franchise Agreement
 - Exhibits to Franchise Agreement:*
 - Exhibit 1: Territory and Location of Outlet
 - Exhibit 2: Names and Addresses of Principal Equity Owners
 - Exhibit 3: Guarantee of Franchise Agreement
- "B" Financial Statements
- "C" List of Franchise Outlets
- "D" List of Terminated Franchises
- "E" State Franchise Administrators and Agents for Service of Process
- "F" State Specific Addenda
- "G" Brand Standards Agreement
- "H" Franchise Operator Construction Management Agreement
- "I" State Effective Dates
- "J" Receipts

DATED: _____
(Do not leave blank)

If a business entity:

If an individual:

(Name of Business Entity)

(Signature of Prospective Franchisee)

(Signature of Primary Contact Owner)

(Print Name)

(Print Name and Title)

Please date and sign this page, and then keep it for your records.

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. New York law requires a franchisor to provide a Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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- "I" State Effective Dates
- "J" Receipts

DATED: _____
(Do not leave blank)

If a business entity:

If an individual:

(Name of Business Entity)

(Signature of Prospective Franchisee)

(Signature of Primary Contact Owner)

(Print Name)

(Print Name and Title)

Please date and sign this page, and then return it by first class mail to Reins USA Franchise Company, Inc., 20000 Mariner Avenue, Suite 500, Torrance, California 90503-1670; or by e-mail to franchise@gyu-kaku.com.