FRANCHISE DISCLOSURE DOCUMENT

Kikai's Chicken

Plumeria Enterprises LLC
a California limited liability company
158 American River Canyon Drive
Folsom, CA 95630
https://kikaischicken.com

The franchise offered is for a fast casual restaurant or mobile food truck offering fried chicken, waffles, and specialty fries for dine-in or take-out, operating using the franchisor's proprietary recipes and techniques under the trade name "Kikai's Chicken" (hereinafter "KC").

The total investment necessary to begin operation of a KC commercial center location franchise ("Restaurant") is $164,500 to $799,000. No initial franchise fee is required. The total investment necessary to begin operation of a KC mobile food truck franchise ("Mobile Restaurant", with Restaurant and Mobile Restaurant each being a Franchised KC) is $149,000 to $262,000. No initial franchise fee is required.

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 governmental agency has verified the information contained in this document.**

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.

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Santiago Gonzalez at santiago@kikaischicken.com or 916-524-4488.

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

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, 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, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: ______________________.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits C and H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G 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 Kikai's Chicken 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 Kikai's Chicken franchisee?	Item 20 or Exhibits C and H lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

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

2. **California Law**. The Franchise Agreement States that California law governs the agreement, and this law may not provide the same protections and benefits as local law. You may want to compare these laws.

3. **Spousal Property**. Your spouse may be required to sign a document that makes your spouse liable for your financial obligations under the Franchise Agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

4. **New Business**. This new franchisor has been in business for such a short period of time that its franchises are a higher risk investment than franchisors with a longer-term operating history.

5. **Trademark**. We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

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

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List of Exhibits

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

To simplify the language, this disclosure document uses "we," "us," or "our" to mean and refer to Plumeria Enterprises LLC. In this disclosure document we refer to the person or entity that will be signing the Franchise Agreement (as hereinafter defined) as "you," "your," or "franchisee," which shall also include all officers, directors, shareholders, members and/or partners of any such signing entity.

Franchisor and Affiliates

We are a California limited liability company organized on March 28, 2024. Our principal business address is 158 American River Canyon Drive, Folsom, CA 95630. We conduct business under our corporate name, Plumeria Enterprises LLC, and under the marks described in Item 13 (the "Marks") and no other name. We have not previously offered franchises in this line of business or in any other line of business and we have no other business activities.

Predecessors

We have no parent companies or predecessors.

Agent for Service of Process

Our agent for service of process is Santiago Gonzalez, 158 American River Canyon Drive, Folsom, CA 95630.

Description of Franchisor's Business

We don't directly operate any restaurants. Our sole business is and will be to operate the franchise system for Kikai's Chicken (the "System"). We offer a franchise for the right to establish and operate a fast casual restaurant or mobile food truck operating under the trade name "Kikai's Chicken", which restaurant or food truck offers fried chicken, waffles, and specialty fries, and other food and ancillary products in a family environment for dine-in or take-out.

We do not anticipate operating any company-owned restaurant locations, but may do so in the future either directly or through an affiliate.

Restaurant Program

For a Restaurant location, you will sign a Franchise Agreement, in the form attached as Exhibit A, to operate a single KC Restaurant at a location which we select. You must sign a separate Franchise Agreement for each Restaurant you will operate. The Franchise Agreements for additional Restaurants will be signed after we provide you with additional locations for such Restaurant and will be our then-current form of Franchise Agreement that we are then offering to new franchisees, which may contain terms and conditions that are materially different from the form of Franchise Agreement attached to this disclosure document as Exhibit A.

Mobile Restaurant Program

If, in our discretion, we determine that your proposed geographic area is suitable for our mobile restaurant program, we will assign you a defined geographic area (the "Mobile Territory") within which you may purchase, open and operate one "Kikai's Chicken" food truck (a "Mobile Restaurant"). You must purchase a new or used food truck (a "Food Truck") for your Mobile Restaurant. Your Mobile Territory may be one or more cities, one or more zip codes or counties, or other defined geographic areas. We will determine the Mobile Territory on a case-by-case basis before you sign your Franchise Agreement. You must sign a separate Franchise Agreement for each Mobile Restaurant you will operate. The Franchise Agreement for your first Mobile Restaurant will be in the form attached as Exhibit A to this disclosure document. The Franchise Agreements for additional Mobile Restaurants will be signed after we select a Mobile Territory for a Mobile Restaurant and will be our then-current form of Franchise Agreement that we are then offering to new franchisees, which may contain terms and conditions that are materially different from the form of Franchise Agreement attached to this disclosure document as Exhibit A.

General Description of the Market and Competition

KC franchises are open year-round and serve lunch and dinner. The market for fast casual restaurants and mobile food trucks in general is well developed and intensely competitive. You will serve the general public and will compete with a variety of businesses, including locally owned restaurants and food trucks as well as regional/national restaurant chains, some of which may be franchise systems. Sales generally may be seasonally affected during winter months in certain areas where inclement weather is more prevalent or in certain areas (for example, vacation resort areas) sales may be affected by seasonal population.

Industry Regulations

Most all states and local jurisdictions have enacted laws, rules, regulation and ordinances which apply to the restaurant and food truck industry, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the premises, (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for the storage, handling, cooking and preparation of food, restrictions on smoking, availability of and requirements for public accommodations, including restrooms, (c) set standards pertaining to employee health and safety, (d) set standards and requirements for fire safety and general emergency preparedness, and (e) regulate the proper use, storage and disposal of waste. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

ITEM 2
BUSINESS EXPERIENCE

Santiago Gonzalez: Co-Founder and Chief Executive Officer

Santiago is the Founder of Plumeria Enterprises LLC and has served as our Chief Executive Officer since our inception in 2024. Santiago has worked in the food service industry for Kiki's Enterprises LLC as its founder. He has owned and operated several other businesses during his professional career. Santiago graduated from USC in 1998 with a Bachelor of Science in Business Administration (Entrepreneurship and Innovation).

Juan Mondul: Chief Information Officer

Juan is our Chief Information Officer. Juan graduated with an MBA with concentrations in strategy, operations, and finance, from Daniel's School of Business in 2002. Juan then joined the Intel Corporation, working several roles including business operations, designing data systems and product marketing. In October 2017, Juan joined Kiki's Enterprises LLC as a partner.

Antonius Rhys: Chief Operations Officer

Antonius joined our organization in 2025 as our Chief Operations Officer. The foundations of his experience were built in full-service restaurants. He began his career in the industry at Carmelita's Mexican Restaurant in Roseville, CA in 2001, working every position and focusing on guest experience and front-of-house management for 15 years. After managing multiple locations, he joined US Foods Sacramento in 2016, where he worked alongside and helped develop many multi-unit restaurant concepts and gained experience in supply chain management during 9 years as a Territory Manager.

ITEM 3
LITIGATION

No information is required to be disclosed in this item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Initial Franchise Fee

There is no current requirement to pay any initial franchise fee.

Extension Fees

You must open the Franchised KC and begin business within the time period designated by us and set forth in your Franchise Agreement unless we grant, in our sole discretion, a written extension for your opening. If your Franchised KC is not opened by the date set forth in your Franchise Agreement, and you are given a written extension, you must pay us up to $1,000 for each month extension so granted.

Initial Training Fee

We do not charge a training fee for the initial training of your Location Manager or Controlling Partners. At your request, and subject to space availability, we will provide initial training to additional members of your personnel, but we may charge a fee for that initial training. The initial training fee for additional personnel we currently charge is $500 per person. This fee represents our cost of providing the training, including our administrative costs of making personnel available for training purposes, and the cost of materials. You must pay the initial training fee for the additional personnel before training begins and it is nonrefundable. The initial training fee is charged uniformly to all franchisees under this disclosure document, although actual dollar amounts may vary depending on how many additional persons are trained.

Additional Site Selection Fee:

We reserve the right to charge a reasonable fee for additional on-site evaluations, after the first, as well as our expenses including the cost of travel, lodging, meals and wages.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	5.0% of Gross Sales	Payable weekly on Wednesday (unless Wednesday is not a business day, then it is due on the next business day)	Royalty fees are calculated based on Gross Sales for the previous week ending on Sunday. Amounts due will be withdrawn by EFT from your designated bank account.
Marketing Fund	1.0% of Gross Sales	Payable weekly together with the Royalty Fee	You must contribute if/when we establish the Marketing Fund.
Local Advertising	1.0% of Gross Sales	Monthly - as incurred by You	This is not currently required, but may be required in the future.

Type of Fee	Amount	Due Date	Remarks
Cooperative Advertising	Maximum – 1.0% of Gross Sales	As determined by Cooperative	Your contributions to an Advertising Cooperative are credited against your local advertising obligations. There presently are no Advertising Cooperatives. Your Cooperative contribution may be allocated by Us to the Marketing Fund.
Advertising & Promotional Materials	Varies, depending on your advertising needs	When billed	See Items 7 and 11 for more specific information.
Interest	10% or highest rate allowed by applicable law, whichever is less	On demand	Interest may be charged on all overdue amounts
Prohibited Product or Service Fee	$250 per day of use of unauthorized products or services	If incurred	In addition to other remedies available to us
Initial Training of additional or replacement and successor personnel	$500 per person	Before training	See Items 5 and 11. No additional charge for initial training for General Manager or Controlling Principles.
Additional Assistance	If you request additional assistance, you must pay the current per diem charge for our employees used to provide the assistance and our associated costs. Current per diem is $500	When billed	See Item 11. We provide opening assistance without additional charge. Any additional assistance you request is billed at the current per diem rate.

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	$5,000	Submitted with transfer application	No fee charged to an individual or partnership franchisee that transfers its rights to a corporation controlled by the same interest holders.
Additional or Remedial Training	Our cost in providing the training	Before additional training	We reserve the right to charge a fee for additional or remedial training that is not mandatory. We do not charge for mandatory training. Cost will vary based on the staff, location, and type of training being offered.
Inspection and Testing	Cost of inspection or testing	When billed	See Item 8. We may require you to pay us or an independent laboratory for the cost of inspection or testing if you purchase or lease items used in the Restaurant from sources we have not previously approved.
Audit Fee	Cost of audit	When billed	Payable only if we find, after an audit, that you have understated any amount you owe to us by more than 2%. You must also pay the understated amount plus interest.

Type of Fee	Amount	Due Date	Remarks
Late Payment or Reporting Fee	$25 per day you are late. $100 per occurrence for non- sufficient funds.	Daily	If you fail to pay royalties when due or fail to submit royalty reports weekly as required, we may charge you $25 per day until the payment or report is received.
Manual Replacement Fee	$100	When billed	See Item 11. If you request additional or replacement copies of the Manual or Videos.
Renewal Fee	12.5% of our then-current applicable initial franchise fee	30 days before commencement of a renewal term	See Item 17. You must provide notice of your intent to renew your franchise agreement and comply with the terms of the agreement concerning renewal.
Refurbishment or Upgrade of the Restaurant	Will vary	As incurred	We may require You to refurbish your Franchised Restaurant to meet our then-current requirements for decor, layout, etc. We will not require you to refurbish the Franchised KC more frequently than every five years.

Type of Fee	Amount	Due Date	Remarks
Gift Card Program	Will vary under circumstances	As incurred	You must participate in our gift card program. Gift cards will be available for sale and redemption at any Kikai's Chicken in the System. See footnote 7.
POS Computer System Maintenance/Support	$0 - $1000	Annually	Payable to the approved supplier of your POS cash register system for maintenance and support.
Liquidated Damages	Will vary under the circumstances	15 days after termination	See footnote 6.
Costs and Attorneys' Fees	Will vary under the circumstances	On demand	If you default under your franchise agreement, you must reimburse us for the expenses (i.e. attorneys' fees and costs) incurred in enforcing or terminating your agreement.
Website Fee	$35	Monthly	Payable to us. Includes on-line marketing for your Franchised KC as well as development and maintenance of your web page on our website and development and maintenance of our corporate website.

Type of Fee	Amount	Due Date	Remarks
Reporting and Management Software	Up to $650	Monthly	Payable to Restaurant365. This includes software to streamline accounting, restaurant management, royalty payments, digital operations manual and training videos.
Online Reputation Management and Guest Feedback System	Up to $100	Monthly	Payable to approved supplier.
Extension Fee	Up to $1,000	Monthly	See Item 5. Payable to us for each month delay in opening the Franchised KC.
Additional Site Selection Fee	Will vary under the circumstances	Prior to additional site visit	Fee will include expenses for cost of travel, lodging, meals and wages of inspector.

Notes:

1. Unless otherwise indicated, all fees are payable to us and are imposed and collected by us.

2. All fees described in this Item 6 are non-refundable, and uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time we have no plans to increase payments over which we have control.

3. For the purposes of determining the royalties to be paid under the Franchise Agreement, “Gross Sales” means the total selling price of all services and products and all revenue of every other kind and nature related to the Franchised KC (including, without limitation, all proceeds from any business interruption insurance), whether for cash or credit and regardless of collection in the case of credit. In the event of a cash shortage, the amount of Gross Sales shall be determined based on the records of the electronic cash register system and any cash shortage shall not be considered in the determination. Gross Sales expressly excludes: taxes collected from Franchisee’s customers and paid to the appropriate taxing authority; customer

refunds or adjustments made in good faith to arm's length customers; the proceeds from the sale of any gift cards to customers; and any proceeds from the sale of any fixtures, equipment or similar items.

We may authorize certain other items to be excluded from Gross Sales. Any exclusion may be revoked or withdrawn at any time by us. The Royalty Fee and Marketing Fund Fee will be withdrawn from your designated bank account by electronic fund transfer ("EFT") weekly on Wednesday based Gross Sales for the preceding week ending Sunday. If you do not report the Restaurant's or Mobile Restaurant's, as applicable, Gross Sales, we may debit your account for 120% of the last Royalty Fee and Marketing Fund Fee that we debited. If the Royalty Fee and Marketing Fund Fee we debit are less than the Royalty Fee and Marketing Fund Fee you actually owe us, once we have been able to determine the Restaurant's or Mobile Restaurant's, as applicable, true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the Royalty Fee and Marketing Fund Fee we debit are greater than the Royalty Fee and Marketing Fund Fee you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following week.

4. We may establish and administer a regional/national marketing fund on behalf of the System (see Item 11) to provide national or regional creative materials for the benefit of the System. No Marketing Fund has been established as of the date of this disclosure document.

5. Cooperatives, if formed, will be comprised of all franchised Restaurants, franchised Mobile Restaurants, and Restaurants or Mobile Restaurants owned by us or our affiliates located in designated geographic areas. Each Restaurant and Mobile Restaurant has one vote in the cooperative, except that no franchisee of commonly controlled group of franchisees) may have more than 25% of the total vote, regardless of the number of restaurant's or Food Trucks owned. No Cooperatives have been established as of the date of this disclosure document.

6. If we terminate your Franchise Agreement for cause, you must pay us within 15 days, after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you paid to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 12 (being the number of months in one full year), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is higher.

7. You must participate in our Gift Card program, which allows a Gift Card that is purchased at any Restaurant or Mobile Restaurant to be redeemed at any other Restaurant or Mobile Restaurant. We may also establish a loyalty card program that rewards repeat customers, which may be used at any Restaurant or Mobile Restaurant in the System.

ITEM 7

YOUR ESTIMATED INITIAL INVESTMENT

In-Line or End Can Commercial Center (Leased)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Leasehold Improvements and Construction Costs					
Pre-Construction Cost (Architect, Plans, Permits)	$10,000	$25,000	As Arranged	As Incurred	KC Approved Suppliers
Construction/Leasehold	$20,000	$495,000	As Arranged	As Incurred	KC Approved Suppliers
Lease Payments	$4,500	$20,000	As Arranged	Generally, Monthly	Landlord
Furniture, Fixtures, Equipment & Signage					
Exterior Signage, Artwork Graphics & Interior Signage & Menu Board	$7,000	$15,000	As Arranged	As Incurred	KC Approved Suppliers
POS System & Software, Back Office Computer, Sound System & Printers	$0	$2,000	As Arranged	As Incurred	KC Approved Suppliers
Equipment, Hood & Smallwares	$45,000	$90,000	As Arranged	As Incurred	KC Approved Suppliers
Designated Furniture & Knick Knacks	$5,000	$20,000	As Arranged	Before Opening	KC Approved Suppliers
Other					
Opening Inventory	$5,000	$15,000	As Arranged	Before Opening	KC Approved Suppliers
Permits and Licenses	$2,000	$8,000	Cash	As Incurred	City, County, State
Insurance - Liability & Workers Compensation Deposits	$5,000	$10,000	Cash	Before Opening	Insurance Carriers
Utility Deposits, Fees & Licenses	$3,000	$7,500	Cash	As Incurred	City, County, State
Grand Opening Marketing	$5,000	$10,000	As Arranged	Before Opening	KC Approved Suppliers
Legal Fees/Organizational Expenses	$1,500	$3,000	Cash	As Incurred	Legal & State
Training Expenses	$1,500	$3,500	As Arranged	As Incurred	Airlines, Hotels (If Applicable)

Additional Funds	$25,000	$50,000	Cash	As Incurred	Various
TOTAL	**$139,500**	**$774,000**			

YOUR ESTIMATED INITIAL INVESTMENT
Food Truck (Purchased)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Food Truck Costs					
Food Truck	$100,000	$180,000	As Arranged	As Incurred	Catering Truck Manufacturer
Business Permits and Vehicle Licenses	$2,000	$4,000	Cash	As Incurred	City, County, State
Furniture, Fixtures, Equipment & Signage					
Exterior Signage, Artwork Graphics & Menu Board	$4,000	$7,000	As Arranged	As Incurred	Our Approved Suppliers
POS System & Software, Computer, Sound System & Printers	$0	$1,000	As Arranged	As Incurred	Our Approved Suppliers
Equipment, Hood & Smallwares	Included	Included	As Arranged	As Incurred	Our Approved Suppliers
Other					
Opening Inventory	$2,500	$5,000	As Arranged	Before Opening	Our Approved Suppliers
Insurance - Liability & Workers Compensation Deposits	$3,000	$7,000	Cash	Before Opening	Insurance Carriers
Grand Opening Marketing	$4,500	$7,000	As Arranged	Before Opening	Our Approved Suppliers
Legal Fees/Organizational Expenses	$1,500	$3,000	Cash	As Incurred	Legal & State
Training Expenses	$1,500	$3,500	As Arranged	As Incurred	Airlines, Hotels (If Applicable)
Additional Funds	$15,000	$30,000	Cash	As Incurred	Various
TOTAL	**$134,000**	**$247,500**			

Notes:

1. **Initial Franchise Fee.** There is no initial franchise fee required at this time.

2. **Leasehold Improvements, Construction Costs, Real Estate.** The cost of leasehold improvements will vary depending on numerous factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost or materials and labor which may vary based on geography and location.

   The amounts in the first chart are based on the cost of a location within a commercial strip center (either an in-line or end-cap location). It includes the cost of adapting our prototypical architectural and design plans to remodel and finish-out the Restaurant and the cost of leasehold improvements. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord.

3. **Lease Payments.** The estimates are for the initial phase of the business for rent and assume that the premises of the Restaurant will be in a strip shopping center ranging in size from approximately 1,200-2,400 square feet. Further, the estimate assumes rental rates ranging from $2.50NNN to $5.00NNN per square foot. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges") for the maintenance of the shopping center. The actual amount you pay under the lease will vary depending on the size of the Restaurant, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region. Note that your landlord may require that you pay a security deposit the amount of which depends on the foregoing factors. If you choose to purchase real property on which to build your Restaurant, your initial investment will likely be higher that the estimation provided. If you purchase real property, we cannot estimate how this purchase will affect your initial investment.

4. **Equipment, Furniture and Fixtures.** You must purchase equipment meeting our specifications to be used in the Franchised KC, including reach-in refrigerators and freezer, ice machine, microwave oven, worktables, shelving, convection oven and oven stand proofer, and other items including smallwares. The furniture and fixtures you will need for your Restaurant include decor items, tables, chairs and stools.

5. **Signage.** These amounts represent your cost for interior and exterior signage (i.e. menu boards, menu panels, logo and descriptive signs). Your landlord and local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

6. **Initial Inventory.** These amounts represent and estimate of your initial inventory of food products, ingredients and supplies, beverages and paper goods for use in the initial phase of operating the Franchised KC.

7. **Architectural Fees.** These fees are estimates of your costs in obtaining any architectural and design services necessary for the construction of the Restaurant. You must adapt our prototypical plans and specifications for the construction of the Restaurant.

8. **POS Computer System.** You must purchase the computerized point of sale system that we specify (see Item 11).

9. **Training Travel Expenses.** We provide initial training to your Manager or Controlling Principles at no additional charge. These estimates include only your out-of-pocket costs associated with the training of the General Manager (including travel, room and board, and wages). These amounts do not include any fees or expenses for training any other personnel. Training is for 6-12 weeks. These costs will vary depending on your selection of lodging and dining facilities and the mode and distance of transportation. The lower end estimate assumes trainees live within driving distance.

10. **Permits and Licenses.** These are estimates of the costs for obtaining local business licenses or permits which typically remain in effect for one year. These figures do not include occupancy and construction permits which were included in the leasehold improvement costs. The cost of these permits and licenses will vary substantially depending on the location of the Franchised KC.

11. **Insurance.** These figures are estimates of the first 3 months of premiums for the insurance you must obtain and maintain for the Franchised KC, as described in Item 8.

12. **Security Deposits.** We expect that you will need to pay deposits for your local utilities, such as telephone, electricity and gas, and your landlord may require you to pay a security deposit. The amount of your deposits will depend, in part, on your credit rating and the policies of the individual utility companies and landlord.

13. **Grand Opening Advertising.** You must spend a minimum of $4,500 on a grand opening advertising campaign. We reserve the right to approve all advertisements used in your grand opening advertising campaign, and your campaign must be conducted in the 60-day period comprising 30 days before and 30 days following opening of your Franchised KC. At our request, you must give the grand opening advertising money to us and we will conduct the grand opening advertising campaign on your behalf.

14. **Professional Fees.** We expect that you will retain an attorney and an accountant to assist you with evaluating this franchise offering, and with negotiating your lease or purchase agreement for the approved location or food truck.

15. **Additional Funds.** The “additional funds” is an estimate to cover operating expenses, including employee’s salaries, for three months of operation. However, we cannot guarantee that this amount will be sufficient. Our estimate of the amount of additional funds required to operate the restaurant or food truck is based on the experience of the licensees in operating a Kikai’s Chicken location. Additional funds may be required if sales are low or fixed costs are high.

16. **Totals.** You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not provide financing arrangements for you. If you obtain financing from others to pay for some of the expenditures necessary to establish and operate the franchise, the cost of financing will depend on your creditworthiness, collateral, lending policies, financial condition of the lender, regulatory environment and other factors.

17. The fees are generally not refundable, except as may be allowed by the entity to which they are paid (such as utility deposits). We do not offer financing of any of these fees.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Fixtures, Furnishings and Equipment

You must purchase or lease and install all fixtures, furnishings, equipment (including electronic cash registers, computer hardware and software), distinctive signage, interior and exterior design, decor items, signs and related items we require, all of which must conform to the standards and specifications in our Manual (as defined in Item 11), unless you have first obtained our written consent to do otherwise. You must purchase or lease computer hardware and software that we require. More specific information about the required point of sale/computer system is included in Item 11. You may not install or permit to be installed on the Franchised KC premises any fixtures, furnishings, equipment, decor items, signs, games, vending machines or other items which do not comply with our specifications without our written consent. If you lease any of the property described above from a third party, we must approve the lease in writing before it is signed. We will not approve the lease unless it: (a) permits your interest in the lease to be assigned to us if the Franchise Agreement terminates or expires; and (b) prohibits the lessor from imposing an assignment or related fee on assignment.

Goods, Supplies, Inventory and Services

To ensure that the highest degree of quality and service is maintained, you must operate the Franchised KC in strict conformity with the methods, standards and specifications that we prescribe in the Manual. You must maintain in sufficient supply and use and sell at all times only those food and beverage items, ingredients, products, materials, supplies and paper goods that meet our standards and specifications. All menu items must be prepared in accordance with the recipes and procedures specified in the Manual. You must not deviate from these standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining our written consent. You must sell and offer for sale only those menu items, products and services that we have expressly approved for sale in writing. You must offer for sale all products and services required by us in the manner and style we require, including dine-in and carry-out services. You must not deviate from our standards and specifications without first obtaining our written consent. You must discontinue offering for sale any items, products and services we may disapprove in writing at any time. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice of any changes in the Manual or other methods (such as by e-mail) of any changes in the standards and specifications.

Except for any proprietary products and promotional materials which may be provided by us or our designated suppliers, you must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including electronic cash register, computer hardware and software), and other products used or offered for sale at the Franchised KC solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and in accordance with our standards and specifications. We do not make our supplier evaluation criteria available to you or any supplier. At a minimum, the suppliers must have adequate quality controls and the capacity to supply your needs promptly and reliably.

If you wish to purchase, lease or use any products or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so. You must obtain our written approval of any unapproved supplier before you make any purchases from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. You must pay the cost of the inspection, and the actual cost of the test must be paid by you or the supplier (see Item 6). We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. However, we will notify you within 45 days after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier.

Currently, we are not an approved supplier of any item. None of our officers has an ownership interest in any approved supplier.

We estimate that your purchases/leases from approved suppliers/vendors, or that must conform to our specifications, will represent approximately 65% to 85% of your total purchases in establishing the Franchised KC, and approximately 90% to 95% of your total purchases in the operation of the Franchised KC.

Proprietary Products

We have and may continue to develop for use in the System certain products which are prepared from confidential proprietary recipes and other proprietary products which bear our Marks. Because of the importance of quality and uniformity of production and the significance of those products, it is to your and our benefit that we closely control the production and distribution of those products. Accordingly, if those products become a part of the System, you will use only our proprietary recipes and other proprietary products and will purchase solely from us or from a source designated by us all of your requirements for those products. You may also be required to purchase from us for resale to your customers certain merchandise identifying the System that we require, such as "Kikai's Chicken" memorabilia and promotional products, in amounts sufficient to satisfy your customer demand.

Purchasing Arrangements

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this disclosure document, there are no purchasing or distribution cooperatives for any of the items described above in which we require you to participate.

We may receive discounts on purchases of electronic cash registers and software from approved suppliers, which discounts will be made available to you if you purchase through these suppliers. We may also receive discounts from approved suppliers of equipment for the Franchised KC which we will make available to you as well. We may obtain certain materials such as cups, napkins, business cards, stationery, flyers, brochures and other promotional materials and memorabilia using our Marks that you must obtain from us or sources approved or designated by us.

Advertising

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Franchised KC) and other items we designate must bear the Marks (see Item 13) in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Manual or otherwise. You must obtain our approval before you use any advertising or promotional materials, or any advertising plans if we have not prepared or approved them during the 12 months before their proposed use.

Real Estate

We will select the site for a Restaurant before you lease or acquire the site. You must also obtain our approval of any contract of sale or lease for the Restaurant before you sign the contract or lease. We will not approve any lease unless an addendum to the lease is signed by you and by the landlord, which provides for, among other things, that your lease can be assigned to us on expiration or termination of your Franchise Agreement.

Food Truck and Mobile Territory

We will select the Mobile Territory for a Mobile Restaurant before you lease or acquire a Food Truck.

Insurance

Before you open the Franchised KC for business, you must obtain the insurance coverage for the Franchised KC specified in the Manual and/or the Franchise Agreement. Additionally, related to any construction, renovation or remodeling of the Restaurant, you must maintain builders risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All of the policies must name us, our affiliates and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds and must include a waiver of subrogation in favor of all those parties.

We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amount of coverage, and you must comply with those changes.

Material Benefits

We do not receive any material benefits based on your purchase of particular products or services or use of particular suppliers.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site acquisition/lease	Articles 1 and 2	Items 8 and 11
b. Pre-opening purchase/leases	Articles 5, 6, 7, and 8	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Articles 2 and 5	Items 8 and 11
d. Initial and ongoing training	Articles 5 and 6	Items 5, 6 and 11
e. Opening	Article 2 and 6	Items 5, 6 and 11
f. Fees	Article 4 and 8	Items 5 and 6
g. Compliance with standards and policies/operating manual	Articles 2, 3, 6, 7, 8, 9, 10, 11 and 12	Items 11, 14, 15 and 16
h. Trademarks and proprietary information	Articles 9 and 10	Items 13 and 14
i. Restrictions on products/services offered	Articles 5 and 7	Items 8 and 16
j. Warranty and customer service requirements	Article 7	Item 8
k. Territorial development and sales quotas	Articles 1 and 2	Item 12
l. Ongoing product/service purchases	Article 7	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Articles 2 and 7	Items 8 and 11
n. Insurance	Article 12	Items 7 and 8
o. Advertising	Articles 5 and 8	Items 6, 7, 8 and 11
p. Indemnification	Article 15	Item 6

q. Owner's participation/management/staffing	Articles 6, 14, 15 and 18	Items 1, 11 and 15
r. Records and reports	Article 4, 7 and 11	Item 6
s. Inspections and audits	Articles 2; 7 and 11	Items 6, 8 and 11
t. Transfer	Article 14	Items 6 and 17
u. Renewal	Article 3	Items 6 and 17
v. Post-termination obligations	Article 18	Items 6 and 17
w. Non-competition covenants	Article 10	Items 15 and 17
x. Dispute resolution	Article 19	Items 6 and 17
y. Liquidated damages	Article 18	Item 6

ITEM 10
FINANCING

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or has any practice or intent to sell, assign or discount to a third party all or part of any financing arrangement of yours.

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 Obligations

Before the opening of a Franchised KC we will provide the following assistance and services:

1. Our written site and Mobile Territory selection guidelines and the site and Mobile Territory selection assistance we deem advisable. (Franchise Agreement, Article 5.A). We will also designate your Primary Area of Responsibility. (Franchise Agreement, Article 1.E). We do not own or lease any premises. We merely select a site or a Mobile Territory.
2. One on-site evaluation, and additional on-site evaluations as we deem necessary or in response to your reasonable request for site approval. (Franchise Agreement, Article 5.B.)
3. On loan, one set of prototypical architectural and design plans and specifications for a Franchised KC for adaptation by you, at your expense. (Franchise Agreement, Article 5.C.)
4. On loan, one set of the Manuals (as described below), which we may revise. (Franchise Agreement, Article 5.D.)
5. A list of our approved suppliers. (Franchise Agreement, Article 5.1.)
6. An initial training program for your Controlling Principals and Manager (maximum of 3 people) at no additional charge to you. If you wish to have additional personnel trained, we may charge up to $500 per person (see Item 6). (Franchise Agreement, Article 5.J.)
7. One week of on-site pre-opening at the Franchised KC for your first Franchised KC, and in our discretion for each additional Franchised KC. (Franchise Agreement, Article 5.K.)

8. Advertising and promotional materials for use in the pre-opening promotion of the Franchised KC. (Franchise Agreement, Article 5.F).)

We are not required to provide any other service or assistance to you before the opening of the Franchised KC.

The typical length of time between the signing of the Franchise Agreement and the opening of a Franchised Restaurant is approximately 90 to 365 days. The factors that may affect this time include your ability to obtain zoning approval, build-out of the site, weather conditions, and other special circumstances.

Post-Opening Obligations

We are obligated by the Franchise Agreement to provide the following services and assistance after the opening of the Franchised KC:

1. As we reasonably determine necessary, visits to, and evaluations of, the Franchised KC and the products and services provided there to ensure that the high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Article 5.E.)
2. Advertising and promotional materials for in-store marketing and Local Advertising for the Franchised KC at a reasonable cost to you. (Franchise Agreement, Article 5.F.)
3. Advice and written materials (including updates to the Manual) concerning techniques of managing and operating the Franchised KC, including new developments and improvements in equipment, food products, packaging and preparation. (Franchise Agreement, Article 5.G.)
4. At our discretion, certain merchandise or promotional products and memorabilia, for use in the Franchised KC and for resale to your customers, in quantities sufficient to meet your customer demand, at a reasonable cost are made available to franchisees in the System. (Franchise Agreement, Article 5.H.)
5. One week of on-site post-opening assistance at the Franchised KC for your first Franchised KC. (Franchise Agreement, Articles 5.K and 6.D.1.3 (Training)
6. Training programs and seminars and other related activities regarding the operation of the Franchised KC as we may conduct for you, or Franchised KC personnel generally, which your Manager and other Franchised KC personnel may be required to attend. (Franchise Agreement, Articles 5.J and Article 6.D.1.2.
7. Certain on-site remedial training for your Franchised KC personnel when you reasonably request it or as we find appropriate. If the remedial training is requested by you, we may require you to pay the per diem of the employees providing the training and our expenses in providing the training (see <u>Item</u> 6). (Franchise Agreement, Article 6. D.1.4.)
8. Administration of the marketing fund and cooperatives, if and when established. (Franchise Agreement, Article 8.C and 8.D.)
9. Indemnification against and reimbursement for all damages for which you are held liable in any proceeding arising, out of your use of any of the Marks (including settlement amounts), provided that you and your Controlling Principals have fully complied with the terms of the Franchise Agreement. (Franchise Agreement, Article 9.D.)

We are not required to provide any other service or assistance to you for the continuing operation of the Franchised KC.

Grand Opening Advertising

You must spend a minimum of $4,500 on a grand opening advertising campaign announcing the grand opening of your Franchised KC. Your grand opening advertising campaign must be conducted in the 60-day period comprising 30 days before and 30 days following the opening of your Franchised KC. You must submit to us for our approval, the proposed grand opening advertising campaign before you conduct the campaign. At our request, you must transfer the money for your grand opening advertising campaign to us and we will conduct the campaign on your behalf.

Advertising

At this time, there is no local advertising requirement, but one may be established in the future. You should spend annually, throughout the term of the Franchise Agreement, up to 1% of the Gross Sales of the Franchised KC on advertising for the Franchised KC in your Area of Primary Responsibility for Local Advertising. This amount is not paid to us, but rather is spent by you. If your landlord requires you to participate in any marketing or promotion fund, the amounts you pay may be applied towards satisfying your Local Advertising obligations. We must approve all advertising before you use it. You must not advertise or use our Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent. You must provide us with an advertising expenditure report monthly to show that you have complied with the Local Advertising requirements. Costs and expenditures you incur with any of the following are not to be included in your expenditures on Local Advertising unless we approve in advance in writing:

1. Incentive programs for your employees or agents, including the cost of honoring any coupons distributed in connection with the programs;
2. Marketing research expenditures;
3. Food costs incurred in any promotion;
4. Salaries and expenses of your employees, including salaries or expenses for attendance at advertising meetings or activities;
5. Charitable, political or other contributions or donations;
6. In-store materials consisting of fixtures or equipment;
7. Seminar and educational costs and expenses of your employees; and
8. Yellow pages advertising.

We also reserve the right to establish and administer a marketing fund (the "Marketing Fund") to advertise the System on a regional or national basis. If we do establish the Marketing Fund, you must contribute to the Marketing Fund a specified percentage of the Gross Sales of the Franchised KC for each accounting period to be paid in the same manner as the royalty payments. Once established, the amount you must pay to the Marketing Fund is 1%. During the term of the Franchise Agreement, for certain special promotions, we may require you to allocate all or part of your required Local Advertising expenditures and Cooperative contributions (described below) to the Marketing Fund.

The Marketing Fund may be maintained and administered by us or our designee as follows:

1. We direct all advertising programs and have sole discretion to approve the creative concepts, materials and media used in the programs and their placement and allocation. The Marketing Fund is intended to maximize general public recognition and acceptance of the Marks and improve the collective success of all Restaurants and Mobile Restaurants operating under the System. For Restaurants or Mobile Restaurants operated by us or our affiliates, we or our affiliates will contribute to the Marketing Fund generally on the same basis as you. In administering the Marketing Fund, we and our designees are not required to make expenditures for you that are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising.

2. The Marketing Fund may be used to satisfy the costs of maintaining, administering, directing and preparing advertising, including the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; employing advertising agencies; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally. All sums you pay to the Marketing Fund will be maintained in a separate account and we may use them to defray our reasonable administrative costs and overhead that we may incur in the administration or direction of the Marketing Fund and advertising programs for you and the System. The Marketing Fund and its earnings will not otherwise benefit us. The Marketing Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above. Any sums paid to the Marketing Fund that are not spent in the year they are collected will be spent in the following year or returned to the contributors in proportion to the respective amounts paid by them, without interest, on the basis of their respective contributions.

3. We will prepare an annual statement of the operations of the Marketing Fund that will be made available to you if you request it. We are not required to have the Marketing Fund statements audited.

4. Although the Marketing Fund is intended to be perpetual, we may terminate the Marketing Fund at any time. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been spent for advertising or promotional purposes or returned to contributors on the basis described in paragraph 2, above.

We currently advertise the Restaurants and Mobile Restaurants and the products offered by the Restaurants and Mobile Restaurants primarily using point of purchase advertising materials and print media. As the number of Restaurants and Mobile Restaurants in the System expands, we envision using other forms of media, including: television, radio, magazine and newspaper advertising campaigns; and direct mail and outdoor billboard advertising. The majority of our advertising is developed by members of our staff or third-party consultants. Advertising presently is conducted on a local basis by affiliates. Once the franchise program has been established, we contemplate advertising on a national, regional and/or local basis through the use of the Marketing Fund, Local Advertising and Cooperatives (described below).

We presently do not have a National Advertising Council, though we may choose to form one in the future.

We may designate any geographic area in which two or more Restaurants and/or Mobile Restaurants are located as a region for purposes of establishing an advertising Cooperative. The members of the Cooperative for any area will consist of all "Kikai's Chicken" Restaurants and Mobile Restaurants, whether operated by us, our Affiliates or franchised. We will determine in advance how each Cooperative will be organized and governed and when it must start operation. We have the right to dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in Local Advertising. If a Cooperative has been established for a geographic area where your Franchised KC is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must sign all documents we request and become a member of the Cooperative according to the terms of the documents. A copy of the Cooperative documents applicable to the geographic area in which your Franchised KC will be located will be provided to you upon request.

You must contribute to the Cooperative the amounts required by the documents governing the Cooperative. However, you will not need to contribute more than 1% of your Gross Sales during each month to the Cooperative unless, subject to our approval, the members of the Cooperative agree to the payment of a larger fee. The payments may be applied by you toward satisfaction of your Local Advertising requirement. Your contributions to a Cooperative may also be allocated by us to the Marketing Fund, as described above. All contributions to the Cooperative will be maintained and administered in accordance with the documents governing the Cooperative. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our approval. Currently, no Cooperatives exist. Each Cooperative is obligated to prepare an annual financial statement reporting its expenditures for the previous year to its members.

If we establish a Marketing Fund and/or a Cooperative applicable to your Franchised KC, your total required minimum advertising contribution to the Marketing Fund, a Cooperative and/or Local Advertising will not exceed 3% of your Gross Sales.

Neither the Marketing Fund nor any Cooperative will use any funds for advertising that is principally a solicitation for the sale of franchises for Restaurants or Mobile Restaurants.

You must also pay your pro rata share of the cost of a Yellow Pages trademark listing or other business listings to be placed by us on behalf of all "Kikai's Chicken" Restaurants and Mobile Restaurants in the Franchised KC's local market area. If you operate the only "Kikai's Chicken" under the System in the local market area, you must pay for any Yellow Pages trademark advertising or other business listing, unless we determine, in our sole discretion, that placement of a Yellow Pages trademark listing or other business listings for the local market area is not economically justified. Any amount you pay for Yellow Pages trademark listing or other business listings may not be applied by you toward satisfaction of your Local Advertising requirement.

Except as described above, we are not obligated to spend any amount on advertising in the area where your Franchised KC is located.

Gift Card Program

You must participate in our gift card ("Gift Card") program by offering Gift Cards to your customers and honoring all Gift Cards presented to you as payment for products, regardless of whether the Gift Card was issued by you or another "Kikai's Chicken" Restaurant or Mobile Restaurant. You shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by us in the Manual or otherwise in writing, including those relating to procedures by which you shall request reimbursement for Gift Cards issued by other "Kikai's Chicken" Restaurants, Mobile Restaurants, or a third-party service provider, for Gift Cards issued from your Franchised KC that are honored by us or other "Kikai's Chicken" Restaurant or Mobile Restaurant operators. We will perform a reconciliation of all Gift Card sales among all franchisees. During the reconciliation, each franchisee's account will be debited or credited, as applicable, to account for sales and redemptions of Gift Cards.

Training

No later than 30 days before the date the Franchised KC begins operation, your Controlling Principal(s) and Manager (maximum of three people) must attend and complete, to our satisfaction, our initial training program. We will conduct this training at our corporate headquarters and a Restaurant or Mobile Restaurant operated either by us or by our Affiliate in Sacramento, California, or at another location we designate. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement general managers and other personnel needing training, the number of new Restaurants and/or Mobile Restaurants being opened by our franchisees and the timing of the scheduled openings of the Restaurants and/or Mobile Restaurants to be operated by us and our franchisees generally.

We will provide instructors and training materials for the initial training at no additional charge to you. You may also have additional personnel trained by us for the Franchised KC, although we may charge $1,500 per person for that training. We will determine whether the trainees have satisfactorily completed initial training. If any trainee does not satisfactorily complete the initial training program or if we determine that any person cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training. Any person subsequently designated by you must also receive and complete the initial training. We reserve the right to charge a reasonable fee for the initial training we provide to a replacement General Manager if we have not approved you to provide the training. You will pay all other expenses you and your Controlling Principal, General Manager and other personnel incur for any training program, including costs of travel, lodging, meals and wages (see Item 6).

The General Manager and other personnel must attend additional training programs and seminars we offer if required to do so. For all of these programs and seminars, we will provide the instructors and training materials. If the training is mandatory, we will not charge you a fee for attending the training. We reserve the right to charge a reasonable fee for the additional training programs and seminars that we provide on an optional basis. You will also pay for all expenses you or General Manager and other personnel incur in participating in any additional training, including costs of travel, lodging, meals, and wages (see Item 6).

For the opening of the Franchised KC, we will provide you with one of our trained representatives. The trained representative will provide on-site pre-opening and opening training, supervision, and assistance to you for seven days around your Franchised KC's opening. This training and assistance will be provided to you at no additional expense. You agree to reimburse the expenses incurred by our representative in providing such opening assistance, including, but not limited to, travel, lodging and meals. For any additional assistance requested by you and any similar assistance that we provide to a replacement Restaurant or Mobile Restaurant, if the premises are destroyed or the Restaurant or Mobile Restaurant is required to be closed for any other reason, we reserve the right to require you to pay us the per diem fee then being charged to franchisees generally for trained representative assistance, including payment of any expenses the trained representative incurs, such as costs of travel, lodging, meals and wages (see Item 6).

Antonius Rhys will oversee the training. The instructional materials used in the initial training consist of our operations manual ("Manual"), marketing and promotion materials, programs related to the operation of the point of purchase system, and other written directives related to the operation of the Franchised KC.

The training schedule and activities of the initial training program are described below:

TRAINING PROGRAM

Subject	**Hours of Classroom Training**	**Hours of On-The-Job Training**	**Location**
Operations	6	16	Sacramento, CA
Finance	1	4	Sacramento, CA
Human Resources	2	4	Sacramento, CA
Kitchen	1	20	Sacramento, CA
Cashier	2	20	Sacramento, CA
Food Safety	2	2	Sacramento, CA
Effective Leadership	2	4	Sacramento, CA

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the experience of those persons being trained.

In addition to the initial training program and any additional on-site assistance or training you request, as described above, we may offer refresher training programs or an annual meeting of our franchisees. We may designate that attendance at any refresher training program or annual meeting is mandatory for you and/or your Manager. We will bear the costs of presenting any refresher training program or annual meeting, or we may use money from the Marketing Fund to pay these costs. You must pay for the expenses of your trainees/attendees, including travel, lodging, meals and wages.

The Franchise Manual Table of Contents is below for your review:

Table of Contents

TOC

The Franchise Manual is 98 pages and the following number of pages are devoted to each listed topic:

Topic	**Number of Pages**
Introduction/Preface	2
Culture and Values	2
Organizational Chart	1
Job Descriptions	9
Employee Relations	21
Customer Relations	7
Administrative Processes	13
Checklists	12
Recipes	10
Training Resources	2
Emergency Procedures	3
Directory	3
Glossary	1
Owner's Only	12

Site Selection

We are responsible for locating and designating a site or Mobile Territory for the Franchised KC, as applicable. You must assume all costs, liabilities and expenses for obtaining and developing the site or Food Truck, as applicable, for the Franchised KC within the assigned area and for constructing and equipping the Franchised KC at the accepted site. We will select the site or Mobile Territory for the Franchised KC. The Franchised KC may not be relocated without first obtaining our written consent. We will select a site or Mobile Territory that satisfies our site selection guidelines.

We will have 90 days after you sign the Franchise Agreement to select a proposed site or Mobile Territory as the location for the Franchised KC. Our selection of the site or Mobile Territory is not a warranty or exhibit that you will be successful at the approved site or Mobile Territory. Our approval only indicates that the site or Mobile Territory meets our minimum criteria for a

"Kikai's Chicken" Restaurant or Mobile Restaurant. We are not liable for the performance of your Franchised KC at the selected site location or Mobile Territory.

We will provide you with our current written site selection guidelines and any other site selection guidance we think is advisable. We may conduct an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping center, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic. If we do conduct such an evaluation, you will be responsible for the costs associated with the evaluation.

We will also provide you one on-site evaluation of the proposed site, without additional charge. After that, if we think it is necessary or if you reasonably request it, we will provide additional on-site evaluations. For those additional on-site evaluations, or if the Franchise Agreement does not relate to your first Franchised KC, we reserve the right to charge a reasonable fee for each evaluation as well as a fee for our reasonable expenses including the cost of travel, lodging, meals and wages.

The date you must open the Franchised KC by will be set forth in the Franchise Agreement, and will be determined on a case by case basis. This time may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised KC, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised KC, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised KC, including purchasing inventory and supplies. You must open the Franchised KC and begin business within the date set forth in your Franchise Agreement unless we grant, in our sole discretion, a written extension for your opening. You must pay us $1,000.00 for each monthly extension so granted. If you fail to open the Franchised KC within the time allowed, the Franchise Agreement may be terminated and the fees paid will not be refunded.

Computer and Electronic Cash Register Systems

As described in Items 6, 7 and 8, you must purchase and use certain electronic cash register systems, computer hardware and software that meet our specifications and that are capable of electronically interfacing with our computer system. The computer system is used by us to collect and monitor point of sale information, and may be used to collect and monitor inventory control and shrinkage, payroll and accounting information, gift cards and loyalty program and credit card processing.

The system is designed to enable us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain. You must install and maintain equipment and a high-speed telecommunication line in accordance with our specifications to permit us to access the electronic cash register (or other computer hardware and software) at the Franchised KC premises as described above. This will permit us to inspect and monitor electronically information concerning your Franchised KC's

Gross Sales and any other information that may be contained or stored in the equipment and software. You must make sure that we have access at the times and in the manner we specify, at your cost.

You must purchase an electronic cash register system with touch screen order systems and a back of the house system, cash drawer, credit card scanners, receipt terminals, keyboards and networking. Our specific requirements will be included in the Manuals. You must purchase the point of sale system from a specific supplier. We expect that the electronic cash register system will cost between $0 and $2,000. You will be required to purchase a maintenance contract for the electronic cash register system, which we anticipate will cost approximately $2,000 per year. We may revise our specifications for the hardware as we determine necessary to meet the needs of the System. You must obtain any upgrades and/or updates to the software used in conjunction with the electronic cash register system, at your expense. In addition, we may require you to update and/or upgrade all or a portion of your electronic cash register system during the term of your Franchise Agreement, at your expense. There is no contractual limitation on our ability to require the hardware be improved or upgraded. Neither we nor any of our affiliates has any responsibility to provide you with any maintenance, updates and/or upgrades for your electronic cash register system.

You must obtain and maintain Internet access or other means of electronic communication, as specified by us. It will be a material default under the Franchise Agreement if you fail to maintain the equipment, lines and communication methods in operation and accessible to us at all times throughout the term of the Franchise Agreement. We must have access at the times and in the manner as we specify.

ITEM 12
TERRITORY

If you operate a Restaurant, the Franchise Agreement grants you the right to operate a Restaurant at a single location that we select. If you operate a Mobile Restaurant, the Franchise Agreement grants you the right to operate a Mobile Restaurant within a Mobile Territory that we select. We will select the location or Mobile Territory for the Franchised KC based on our determination of the likelihood of success that the Franchised KC will have at that location based on various market and economic factors. Attachment A to the Franchise Agreement lists the specific street address of the approved location. You must operate the Franchised KC only at this approved location and may not relocate the Franchised KC without first obtaining our written consent. You may not establish or operate another Franchised KC unless you enter into a separate Franchise Agreement.

During the term of the Franchise Agreement, if you are in compliance with the Franchise Agreement and you operate a Restaurant, we will not establish a Restaurant or Mobile Restaurant or authorize any other person or entity to establish a Restaurant or Mobile Restaurant within your primary area of responsibility ("PAR"). If you are in compliance with the Franchise Agreement and you operate a Mobile Restaurant, we will not establish a Restaurant or Mobile Restaurant or authorize any other person or entity to establish a Restaurant or Mobile Restaurant within your PAR. The PAR is an exclusive territory within which no other Restaurant or Mobile Restaurant, will be authorized. The PAR will be described in Attachment A to the Franchise Agreement. The minimum PAR that you may be granted will depend on the density and specific characteristics of the area surrounding the approved location. Generally, more urban, densely populated urban areas will have a smaller PAR.

We will generally determine the PAR before the Franchise Agreement is signed based on various market and economic factors such as an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites and the growth trends in the market.

This offering is generally for a Restaurant of approximately 1,200-2,400 square feet located in an in-line space, in retail shopping centers or in free standing locations, or for a Mobile Restaurant operating out of a Food Truck, as applicable. Generally, our franchise sites will not vary significantly from the prototypes described above; however, we may consider other, non-traditional locations on a case-by-case basis.

You may sell our products and related merchandise to retail customers and prospective retail customers who live anywhere but who choose to dine at your Franchised KC. You may not engage in any promotional activities or sell our products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell our products to any business or other customer for resale (besides other Franchised KCs).

Although we have not done so, we and our affiliates may sell products under the Marks within and outside your PAR through any method of distribution other than a dedicated "Kikai's Chicken", including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your PAR.

ITEM 13
TRADEMARKS

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us, including the Marks described in Item 1. These Marks may be used only in the manner we authorize and only for the operation of your Franchised KC at the location specified in the Franchise Agreement.

You may not use the Marks as a part of your corporate or other legal name, and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must sign any documents we require to protect the Marks or to maintain their continued validity and enforceability. In addition, you may not directly or indirectly contest the validity of our or any affiliate's ownership of, or our or any of our affiliate's rights in and to, the Marks.

We have registered the following principal Marks with the U.S. Patent and Trademark Office ("USPTO") on the Principal Register:

Mark	**Serial Number**	**Registration Date**
Kikai's	99272816	Filed 1(a) 7/8/25
Kikai's Chicken	99272797	Filed 1(a) 7/8/25

Trademarks that are found by the USPTO to be largely descriptive of the products offered by the trademark holder are typically denied registration on the Principal Register, but they may be eligible for registration on the Supplemental Register instead. Although registration on the Supplemental Register provides some protections not available to wholly unregistered trademarks, these protections are less robust and not as advantageous as the protections provided by registration on the Principal Register. As a result, it may be somewhat more difficult for us to protect our wordmark trademarks from third-parties we believe to be infringing on these trademarks than if these trademarks were listed on the Principal Register. If, over time, our wordmark trademarks develop a significant association with our company as a source of the products in the minds of the public, we may be able to transfer their registration to the Principal Register. We intend to actively pursue that option as and when it may become available.

We have completed and filed all required affidavits for our Marks on both the Principal and Supplemental Registers.

There are no currently effective determinations of the USPTO, the trademark trial and appeal board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above. There are no agreements currently in effect which limit our right to use or to license others to use the Marks, except as stated above. We know of no superior prior rights or infringing uses of any Mark that could materially affect your use of the Marks in this or any other state.

You must immediately notify us of any apparent infringement of the Marks or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Controlling Principals are not permitted to communicate with any person other than us, or any designated affiliate, our counsel and your counsel involving any infringement, challenge or claim. We can take action and have the right to exclusively control any litigation or USPTO or other administrative or agency proceeding caused by any infringement, challenge or claim or otherwise relating to any of the Marks. You must sign any and all documents, and do what may, in our counsel's opinion, be necessary or advisable to protect our interests in any litigation or USPTO or other administrative or agency proceeding or to otherwise protect and maintain our interests and the interests of any other person or entity (including any of our Affiliates) having an interest in the Marks.

We will indemnify you against and reimburse you for all damages for which you are held liable for your use of any of the Marks, provided that the conduct of you and your Controlling Principals in the proceeding and use of the Marks is in full compliance with the terms of the Franchise Agreement.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

We may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if we determine that an addition or substitution will benefit the System.

The license to use the Marks granted in the Franchise Agreement is non-exclusive to you. We and our Affiliates have and retain certain rights in the Marks including the following:

1. To grant other licenses for the use of the Marks in addition to those licenses already granted to existing franchisees;
2. To develop and establish other systems using the Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to you; and
3. To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services and (b) the use of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics we may develop for that purpose.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We have no patents, pending patents or registered copyrights that are material to the “Kikai’s Chicken” franchise.

Confidential Manuals

You must operate the Franchised KC in accordance with the standards and procedures specified in the Manual. One copy of the Manual will be loaned to you by us for the term of the Franchise Agreement.

You must treat the Manual and any other manuals we create or approve for use in your operation of the Franchised KC, and the information contained in them, as confidential. You must also use all reasonable efforts to maintain this information as secret and confidential and you must not duplicate, copy, record or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Manual remains our sole property and must be kept in a secure place on the Franchised KC premises.

We may revise the contents of the Manual and you must comply with each new or changed standard. You must also ensure that the Manual is kept current at all times. If there is a dispute as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling. You must return to us all pages that are replaced in the Manual.

Confidential Information

We claim proprietary rights in certain of our recipes which are included in the Manual and which are our trade secrets. You and each of your Controlling Principals are prohibited, during and after the term of the Franchise Agreement, from communicating, or using for the benefit of any other person or entity, and, after the term of the Franchise Agreement, from using for your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Franchised KC that may be communicated to you or any of your Controlling Principals or that you may learn about, including these trade secrets. You and each of your Controlling Principals can divulge this confidential information only to your employees who must have access to it to operate the Franchised KC. Neither you nor your Controlling Principals are permitted at any time, without first obtaining our written consent, to copy, record or otherwise reproduce the materials or information nor make them available to any unauthorized person. Any and all information, knowledge, know-how and techniques related to the System that we communicate to you, including the Manual, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, are considered confidential.

If we ask, you must have your Manager and any of your personnel who have received or will have access to confidential information sign similar covenants. (See Item 17) The covenants will be in substantially the same form set forth in Section 10.C.2 of the Franchise Agreement.

If you or your Controlling Principals, Manager or employees develop any new concept, process or improvement in the operation or promotion of the Franchised KC, you must promptly notify us and give us all necessary information, free of charge. You and your Controlling Principals, Manager and employees must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

ITEM 15
OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

When you sign the Agreements, you must designate and retain at all times an individual to serve as the "Manager" who will devote his or her full time and best efforts to supervise and manage the Franchised KC. A Controlling Principal is required to be the Manager though the second anniversary of the execution of your Franchise Agreement. After the second anniversary of the execution of your Franchise Agreement, the Manager is not required to have an ownership interest in the Franchised Business, although we still recommend that a Controlling Principal be the Manager. The Manager must be approved by us and satisfy our educational and business criteria as provided to you in the Manual or other written instructions. The Manager also must satisfy our applicable training requirements. If the Manager cannot serve in the position or does not meet the requirements, he or she must be immediately replaced.

You must also retain other personnel as are needed to operate and manage the Franchised KC. If you hire any employee previously employed by us, our affiliates or another "Kikai's Chicken" franchise in a managerial position, you must pay the former employer its reasonable costs and expenses incurred for training the employee.

You must have any holder of a beneficial interest in your franchise, your Manager and all of your management personnel sign non-competition and confidentiality covenants similar to the covenants you are required to sign.

As described in Item 1, we have identified certain persons under the Franchise Agreement that we refer to in this disclosure document as your Principals. Your Principals include your spouse, if you are a married individual, and those of your business entity's officers and directors (including the officers and directors of your general partner, if applicable) whom we designate as your Principals, and all holders of an ownership interest in you and in any entity that directly or indirectly controls you, and any other person or entity controlling, controlled by, or under common control with you.

If we designate certain of your Principals as Controlling Principals, they must sign certain confidentiality and non-competition covenants (see Section 10.C.2 of the Franchise Agreement) and personally guaranty your performance under the Agreements (see Exhibit E). We typically designate your principal equity owners and executive officers, as well as any other affiliated entities that operate "Kikai's Chicken" Restaurants or Mobile Restaurants as Controlling Principals.

You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with you, from any of your other personnel who have received or will have access to our training before employment, and any holder of a beneficial interest in you (except for any limited partners) who is not designated as a Controlling Principal. You must have all of your management personnel sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with you (see Item 14). These covenants will be in substantially the same form set forth in Section 10.C.2 of the Franchise Agreement. We reserve the right, in our discretion, to decrease the period of time or geographic scope of the non-competition covenants contained in the attachments or eliminate the non-competition covenants altogether for any party that must sign an agreement as described in this paragraph. (See Item 17).

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must comply with all of our standards and specifications relating to the purchase of all food, food products and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including electronic cash register, computer hardware and software), utensils and other kitchen items and products used or sold at the Franchised KC (see Item 8).

You must sell or offer for sale all menu items, food products, and other products and services we require, in the manner and style we require, including dine-in and carry-out, as expressly authorized by us in writing. You must sell and offer for sale only the menu items and other products and services that we have expressly approved in writing. You must not deviate from our standards and specifications without first obtaining our written consent. You must discontinue selling and offering for sale any menu items, products or services that we may disapprove in writing at any time. We have the right to change the types of menu items, products and services offered by you at the Franchised KC at any time, and there are no limits on our right to make those changes.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, products, materials, supplies, and paper goods that conform to our standards and specifications. You must prepare all menu items with our recipes and procedures for preparation contained in the Manuals or other written instructions, including the measurements of ingredients. You must not deviate from our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining our written consent.

We may offer guidance concerning the selling price for the goods, products and services offered from your Franchised KC. We reserve the right to determine the maximum prices for the goods, products and services offered from your Franchised KC. You must comply with the prices required by us, but we make no guarantees or warranties that offering the products or merchandise at the required price will enhance your sales or profits.

We and our affiliates may develop certain products for use in the System that are prepared from confidential recipes and that are trade secrets of ours and certain products that bear our Marks. Because of the importance of quality and uniformity of production and the significance of the proprietary recipe and trademarked products in the System, it will be to our mutual benefit that we closely control the production and distribution of the products. If developed, you must use our proprietary recipe products and purchase all of your requirements for these products only from us or from sources designated by us.

Except as provided herein and in the Franchise Agreement, you are not restricted by any practice or custom with respect to the products and services you may offer or sell or with respect to the customers to whom you may sell.

ITEM 17
RENEWAL, TERMINATION, TRANSFER. AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

California Business and Professions Code sections 20000 through 20043 establish the rights of the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	3.A	Term continues for 10 years from the date Franchise Agreement unless terminated earlier
b. Renewal or extension of the term	3.B	Agreement may be renewed for two additional five year terms
c. Requirements for franchisee to renew or extend	3.B	You must give at least six months' notice and not more than 12 months' notice, pay the renewal fee, repair and update equipment and the Franchised KC's premises as necessary, not be in breach of any agreement with us or our affiliates, have satisfied all monetary obligations owed to us or our affiliates, have the right to remain in possession of thw Franchised KC premises, sign current agreement and general release, and comply with current qualification and training requirements. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.

Provision	Section in Franchise Agreement	Summary
d. Termination by franchisee	Not applicable	You may terminate the Franchise Agreement on any grounds available by law.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with "cause"	17.A	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.

Provision	Section in Franchise Agreement	Summary
g. “Cause” defined — curable defaults	17.A.2, 17.B	We may terminate your Franchise for cause if you fail to cure certain defaults, including: if you or any of your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within five days after notice (or longer period required), fail to obtain signed copies of the confidentiality and non-competition covenants contained in the Franchise Agreement within five days after a request, fail to procure and maintain required insurance within seven days after notice, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to cure any other default that is susceptible of cure within 30 days after notice
h. “Cause” defined — noncurable defaults	17.A.2	We may terminate your agreement for cause upon the occurrence of certain defaults, including: if you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 30 days, sell unauthorized products or services, fail to acquire at accepted location within time required, fail to remodel when required, fail to open

Provision	Section in Franchise Agreement	Summary
		the Franchised KC when required, fail to comply with any term and condition of any sublease or related agreement and have not cured the default within the given cure period, abandon or lose right to the Franchised KC's premises, are convicted of a felony or other crime that may have an adverse affect on the System or Marks, transfer any interest without our consent or maintain false books or records. In addition, a default under one agreement with us may result in a termination of all of your other agreements with us. This is known as a cross-default provision.
i. Franchisee's obligations on termination/non-renewal	Article 18	Obligations include: you must cease operating the Franchised KC and using the Marks and System and completely de-identify the business, pay all amounts due to us or our affiliates, return all Manuals and software and other proprietary materials, comply with confidentiality requirements, and at our option, sell or assign to us your rights in the Franchised KC premises and the equipment and fixtures used in the business
j. Assignment of contract by Franchisor	14.A	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction. However, no assignment will be granted except to an

Provision	Section in Franchise Agreement	Summary
		assignee who, in our good faith judgment, is willing and able to assume our obligations.
k. "Transfer" by franchisee — defined	14.B.1	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Franchised KC or you (if you are not a natural person)
l. Franchisor approval of transfer by franchisee	14.B.2	You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent.
m. Conditions for franchisor approval of transfer	14.B.2	Conditions include: you must pay all amounts due us or our affiliates, not otherwise be in default, sign a general release, and pay a transfer fee. Transferee must meet our criteria, attend training and sign current Franchise Agreement
n. Franchisor's right of first refusal to acquire franchisee's business	14.D	Within 30 days after notice, we have the option to purchase the transferring interest on the same terms and conditions
o. Franchisor's option to purchase franchisee's business	18.L, 14.D	Other than assets on termination, non-renewal or right of first refusal, we have no right or obligation to purchase your business
p. Death or disability of franchisee	14.E	If you or a Controlling Principal are a natural person, on death or permanent disability, distributee must be approved by us, or franchise must be transfer to someone approved by us within 12 months after death or within six months after notice of permanent disability

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	10.C.1	You are prohibited from operating or having an interest in a similar business or diverting business from the Franchised KC.
r. Non-competition covenants after the franchise is terminated or expires	10.C.2	You and your Controlling Principals are prohibited from operating or having an interest in a similar business which is located, or is intended to be located within a 25-mile radius of any Franchised KC in existence or under construction as of the earlier of (i) the expiration, termination or non-renewal of, or the transfer of all of your interest in, the Franchise Agreement or (ii) the time a Controlling Principal ceases to satisfy the definition of a Controlling Principal, as applicable, and continuing for two years.
s. Modification of the agreement	10.A.5, 20.B	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Manuals as amended.
t. Integration/merger clause	20.B	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding
u. Dispute resolution by arbitration or mediation	Article 19	Except for actions brought by us for monies owed, actions involving the Marks, or actions for injunctive or extraordinary relief, all disputes must be mediated and arbitrated in Sacramento County, California.

Provision	Section in Franchise Agreement	Summary
v. Choice of forum	19.B.1, 19.C.3, 19.H	All proceedings related to or arising out of the Franchise Agreement shall be commenced in Sacramento County, California, unless otherwise brought by us (see State Addendum and State Cover Page to this disclosure document and Agreements)
w. Choice of Law	19.G	The Franchise Agreement is to be interpreted, governed and construed under California law (see State Addendum and State Cover Page Amendments to this disclosure document and Agreements)

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make 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 Santiago Gonzalez at 158 American River Canyon Drive, Folsom, CA 95630, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

This is the first year we have offered franchises for sale. Thus, we are unable to project how many Franchise Agreements may be signed by year end.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a Franchised KC terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document are listed on Exhibit C to 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 had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the System.

There are no trademark-specific organizations formed by our franchisees that are associated with the System.

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit G is our audited financials.

Our fiscal year end is December 31st.

ITEM 22
CONTRACTS

Attached as Exhibits to this disclosure document are the following contracts and their attachments:

1 . Franchise Agreement	Exhibit B
2 . General Release	Exhibit D
3 . Personal Guaranty	Exhibit E

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this disclosure document appear on the last pages of this disclosure document in Exhibit I. Pease return one signed copy to us and retain the other for your records.

Exhibit A

List of Administrators and Agent for Service of Process

California Administrator
Department of Financial Protection and Innovation
2101 Arena Blvd.,
Sacramento, CA 95834

California Agent for Service of Process
Department of Financial Protection and Innovation
2101 Arena Blvd.,
Sacramento, CA 95834

Santiago Gonzalez
158 American River Canyon Drive
Folsom, CA 95630

Exhibit B

Franchise Agreement

Plumeria Enterprises LLC
<u>FRANCHISE AGREEMENT</u>

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into by and between Plumeria Enterprises LLC, a California limited liability company, having its principal place of business at 158 American River Canyon Drive, Folsom, CA 95630 ("Franchisor") and a __________[corporation/limited liability company/partnership], having its principal place of business at ____("Franchisee") on this ____ day of ____, 20_ (the "Effective Date").

RECITALS:

WHEREAS, as the result of the expenditure of time, skill, effort and money, Franchisor has developed and owns a unique and distinctive system (hereinafter, the "System") relating to the establishment and operation of fast casual restaurants and mobile food trucks that feature fried chicken, waffles, and specialty fries all prepared in accordance with Franchisor's recipes, standards and specifications;

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings, proprietary products and ingredients; proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial controls; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

WHEREAS, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to, the mark "Kikai's Chicken " and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated by Franchisor in writing) for use in connection with the System (hereinafter referred to as "Marks");

WHEREAS, Franchisor continues to develop, use and control the use of such Marks in order to identify for the public, the source and products marketed and sold thereunder and under the System, and to represent the System's high standards of quality, appearance and service;

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance and service and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications; and

WHEREAS, Franchisee desires to use the System in connection with the operation of a "Kikai's Chicken" Restaurant (hereinafter "Kikai's Chicken") at the location specified on Attachment A hereto, as well as to receive the training and other assistance provided by Franchisor in connection therewith.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

ARTICLE 1
GRANT

A. **Grant of Franchise.** Franchisor hereby grants to Franchisee, upon the terms and conditions in this Agreement, the right and license, and Franchisee hereby accepts the right and obligation, to operate a "Kikai's Chicken" Restaurant as a commercial center location or food truck as set forth on Attachment A at the Accepted Location under the Marks and the System in accordance with this Agreement ("Restaurant" or "Franchised Business"). Franchisee and the Controlling Principals understand and acknowledge that Franchisor has granted such rights in reliance on the business skill, financial capacity, personal character of, and expectations of performance hereunder by, Franchisee and the Controlling Principals and that this Agreement and the rights and obligations hereunder may not be transferred until after the Restaurant is open for business to the public and in accordance with Article 14. Franchisor further agrees and acknowledges that the license granted hereby is only for the operation of one (1) Kikai's Chicken Restaurant.

B. **Accepted Location.** The specific street address or mobile territory of the Restaurant location accepted by the Franchisor shall be set forth in Attachment A ("Location" or "Accepted Location"). Franchisee shall not relocate the Restaurant without the express prior written consent of Franchisor, which consent shall not be unreasonably withheld. This Agreement does not grant Franchisee the right or license to operate the Restaurant or to offer or sell any products or services described under this Agreement at or from any other location.

C. **Relocation.** If Franchisee is unable to continue the operation of the Restaurant at the Accepted Location because of the occurrence of a force majeure event (as described in Article 17.A.3.5), then Franchisee may request approval of Franchisor to relocate the restaurant to another location in the Primary Area of Responsibility, as that term is defined below, which approval shall not be unreasonably withheld. Any other request to relocate the Restaurant shall also be subject to the same procedures. If Franchisor elects to grant Franchisee the right to relocate the Restaurant, then Franchisee shall comply with the site selection and construction procedures set forth in Article 2.

D. **No Sublicense.** Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Restaurant at the Location or to use the System granted pursuant to this Agreement.

E. **Area of Responsibility.**

E.1. Upon execution of this Agreement, Franchisee will be assigned a primary area of responsibility ("Primary Area of Responsibility" or "PAR") that will also be described in Attachment A. Except as provided in this Agreement, and subject to Franchisee's and the Controlling Principals' material compliance with this Agreement, any other agreement among Franchisee and any of its affiliates (defined as any entity that is controlled by, controlling or under common control with such other entity) and Franchisor, Franchisor shall not establish or authorize any other person or entity, other than Franchisee, to establish a "Kikai's Chicken" commercial center location, if this Agreement is for the franchise of a "Kikai's Chicken" commercial center location, or a "Kikai's Chicken" food truck, if this Agreement is for the franchise of a "Kikai's Chicken" food truck, in the Primary Area of Responsibility during the term of this Agreement or any extensions hereof.

E.2. Except to the limited extent expressly provided in Article 1.E.1 of this Agreement, the license granted to Franchisee under this Agreement is nonexclusive and Franchisor expressly retains and reserves all other rights including, the exclusive, unrestricted right, in its discretion, directly or indirectly, itself and through its employees, affiliates, representatives, franchisees, licensees, assigns, agents and others:

E.2.1. to own, acquire, establish and/or operate, and to license others (which may include Franchisor's affiliates) to own, acquire, establish and/or operate "Kikai's Chicken" restaurants at any location outside the PAR.

E.2.2. to own or operate restaurants under different Marks and with different operating systems that are the same or similar to the System, and that any such restaurants might compete with Franchisee's Restaurant. Accordingly, in the PAR, Franchisor and any of its current or future affiliates may own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks and/or other operating systems, regardless of whether such businesses are the same, similar, or different from the Restaurant.

E.2.3. to produce, offer and sell (or authorize others to produce, offer or sell) in the PAR: (i) collateral products under the Marks, at or from any location, such as prepackaged food and beverage products and "Kikai's Chicken" memorabilia, (ii) food and beverage services under the Marks at or through any Non-Traditional Sites (as defined below); and (iii) any products or food and beverage services under any other names and marks. A "Non-Traditional Site" is defined as any area of retail establishments or food court (other than in the traditional retail shopping center or free-standing location in which the restaurant are customarily located) including, without limitation, airports, travel plazas, hospitals, cafeterias, schools and campuses, corporate campuses, governmental buildings and establishments, hotels, sports or entertainment venues, stadiums, arenas, ballparks, festivals, fairs, casinos, snack bars, food trucks and other mass gathering locations or events.

E.2.4. to produce, offer and sell (or authorize others to produce, offer or sell) the products offered at Restaurants and any other goods displaying the Marks or other trade and service marks through Alternative Distribution Channels, as defined below, both within and outside the PAR, and under any terms and conditions Franchisor deems appropriate. "Alternative Distribution Channels" means without limitation, the internet, catalog sales, grocery stores, club stores, telemarketing or other direct marketing sales.

E.2.5. to acquire and operate a business operating one or more restaurants or food service businesses located in the PAR.

ARTICLE 2
SITE SELECTION, PLANS AND CONSTRUCTION

A. **Obligation to Locate a Site.** Franchisor shall locate a site for the Restaurant within the PAR. Franchisee assumes all cost, liability, expense and responsibility for obtaining and developing the site identified by the Franchisor for the Restaurant and for constructing and equipping the Restaurant at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Restaurant unless the site is selected by the Franchisor. Franchisee acknowledges that the procurement and development of the site for the Restaurant is Franchisee's responsibility; that in discharging such responsibility Franchisee may consult with real estate and other professionals of Franchisee's choosing; and that Franchisor's selection and approval of the site does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Restaurant operated at that site will be profitable or otherwise successful.

B. **Site Selection.**

B.1 Within sixty (60) days of the date this Agreement is executed, Franchisor shall locate a site for the Restaurant and shall provide to Franchisee in the form specified by Franchisor a description of the site. Franchisor's selection and approval of a location for the Restaurant only signifies that such location meets Franchisor's then current minimum criteria for a Kikai's Chicken Restaurant.

B.2 If Franchisee elects to purchase the premises for the Restaurant, Franchisee shall submit a copy of the proposed purchase contract to Franchisor for its written approval prior to its execution and shall furnish to Franchisor a copy of the executed purchase contract within ten (10) days after execution. If Franchisee will occupy the premises of the Restaurant under a lease or sublease, Franchisee shall submit a copy of the lease or sublease to Franchisor for written approval prior to its execution and shall furnish to Franchisor a copy of the executed lease or sublease within ten (10) days after execution. No lease or sublease for the Restaurant premises shall be accepted by Franchisor unless a Lease Addendum, prepared by Franchisor and executed by Franchisor, Franchisee and the lessor or sublessor, is attached to the lease or sublease and incorporated therein. Franchisor shall have ten (10) days after receipt of any such lease, sublease or proposed contract of sale to either approve or disapprove such documentation prior to its execution.

B.3. After a location for the Restaurant is selected by Franchisor and acquired by Franchisee pursuant to this Agreement, the location shall be described in Attachment A and appended to this Agreement.

C. **Zoning, Permits and Licenses.** Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local law, ordinances or regulations or which may be necessary as a result of any restrictive covenants affecting or relating to the Restaurant premises. Prior to beginning the construction of the Restaurant, Franchisee shall (i) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Restaurant, and (ii) certify in writing to Franchisor that the insurance coverage specified in Article 12 is in full force and effect and that all required approvals, clearances, permits and certifications have been obtained. Upon written request, Franchisee shall provide to Franchisor additional copies of Franchisee's insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

D. **Restaurant Design.** Franchisee must obtain any architectural, engineering and design services it deems necessary for the construction of the Restaurant at its own expense from an architectural design firm approved by Franchisor, which approval shall not be unreasonably withheld. Franchisee acknowledges that prototypical design plans and specifications provided by Franchisor shall not contain the requirements of any federal, state, or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Kikai's Chicken Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt the prototypical architectural and design plans and specifications for construction of the Restaurant provided to Franchisee by Franchisor in accordance with Article 5.0 as necessary for the construction of the Restaurant and shall submit such adapted plans to Franchisor for review. If Franchisor determines, in its reasonable discretion, that any such plans are not consistent with the best interests of the System, Franchisor may prohibit the implementation of such plans, and in this event will notify Franchisee of any objection(s) within ten (10) days of receiving such plans. If Franchisor fails to notify Franchisee of an objection to the plans within this time period, Franchisee may use such plans. If Franchisor objects to any such plans, it shall provide Franchisee with a reasonably detailed list of changes necessary to make the plans acceptable. Franchisor shall, upon resubmission of the plans with such changes, notify Franchisee within ten (10) days of receiving the resubmitted plans, whether the plans are acceptable. If Franchisor fails to notify Franchisee in writing of any objection within such time period, Franchisee may use the resubmitted plans. Franchisee acknowledges that Franchisor's review of such plans relates only to compliance with the System and that acceptance by Franchisor of such plans does not constitute a representation, warranty or guarantee, express or implied, by Franchisor that such plans are accurate or free of error concerning their design or structural application.

E. **Restaurant Build-Out.** Franchisee shall commence and diligently pursue construction or remodeling (as applicable) of the Restaurant. Commencement of construction shall be defined as the time at which any site work is initiated by or on behalf of a Franchisee at the Accepted Location. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of existing premises. During the time of construction or remodeling, Franchisee shall provide Franchisor with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor. In addition, Franchisor may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling no later than thirty (30) days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, Franchisor may, at its option, conduct an inspection of the completed Restaurant. Franchisee acknowledges and agrees that Franchisee will not open the Restaurant for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement. Prior to opening the Franchised Business and prior to renovating the Franchise Business after its initial opening, Franchisee shall execute an ADA Certification in the form attached to this Agreement as Attachment I that certifies in writing to Franchisor that the Franchised Business and any proposed renovations comply with the ADA.

F. **Opening Date; Time is of the Essence.** Franchisee acknowledges that time is of the essence. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Restaurant and commence business within eight (8) months (twelve (12) months if Restaurant is built from ground up) after Franchisee executes this Agreement, unless Franchisee obtains an extension of such time period from Franchisor in writing. The date the Restaurant opens for business to the public shall be referred to herein as the "Opening Date". Prior to the Opening Date, Franchisee shall complete all exterior and interior preparations for the Restaurant, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications reasonably approved by Franchisor, and shall comply with all other pre-opening obligations of Franchisee, including, but not limited to, those obligations described in Articles 6.B through 6.1, to Franchisor's reasonable satisfaction. If Franchisee fails to reasonably comply with any of such obligations, except for a force majeure act as described in Article 17.A.3.5 Franchisor shall have the right to prohibit Franchisee from commencing business. Franchisee's failure to open the Restaurant and commence business in accordance with the foregoing shall be deemed a material event of default under this Agreement. Notwithstanding the foregoing, Franchisor, may, in its sole, absolute and arbitrary discretion, grant Franchisee monthly extensions on the Opening Date. Should Franchisor provide Franchisee with a monthly extension, Franchisee agrees to pay to Franchisor an extension fee of One Thousand Dollars ($1,000.00) for each additional month.

ARTICLE 3
TERM AND RENEWAL

A. **Term.** Unless sooner terminated as provided in Article 17 hereof, the term of this Agreement shall commence upon execution and shall expire ten (10) years from the Effective Date of this Agreement (the "Initial Term").

B. **Form and Manner of Renewal.** Provided Franchisor is granting new franchises at the expiration of the Initial Term (or any Renewal Term), Franchisee may apply to operate the Restaurant for up to two (2) additional consecutive terms of five (5) years each (each a "Renewal Term"), subject to any or all of the following conditions which must, in Franchisor's reasonable discretion, be met prior to each Renewal Term:

B.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the Initial Term or any Renewal Term ("Renewal Notice");

B.2 Franchisee shall not be in material default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee or any of its affiliates and Franchisor at the time of any renewal; and Franchisee shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

B.3 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor under this Agreement, and any other agreement between Franchisee or any of its affiliates and Franchisor, and Franchisee shall have substantially met those obligations throughout the terms thereof;

B.4 Franchisee shall present satisfactory evidence that Franchisee has the right to remain in possession of the Restaurant premises through the end of the Renewal Term or obtain Franchisor's written approval of a new site for the operation of the Restaurant for the duration of any Renewal Term;

B.5 Franchisee and the Controlling Principals (as defined in Article 20.K) shall execute a general release of any and all claims against Franchisor, their respective partners, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or order, the form of which shall be substantially similar to the release in Attachment H;

B.6 Franchisee shall comply with Franchisor's then-current financial qualifications and training requirements;

B.7 Franchisee shall, at the request of Franchisor, execute a new franchise agreement in the form then generally being offered to prospective "Kikai's Chicken" franchisees for any Renewal Term; provided however, that Franchisee shall have no additional or alternative renewal rights even if the renewal franchise agreement provides for different renewal options then is set forth in this Agreement. Franchisee understands that any renewal franchise agreement it may be required to execute may be materially different than this Agreement, including, without limitation, requiring payment of additional or different fees to Franchisor; and

B.8 Franchise shall pay to Franchisor a "Renewal Fee" equal to Twelve and One-Half percent (12.5%) of Franchisor's then-current Initial Franchise Fee (if any), due thirty (30) days prior to the commencement of any Renewal Term.

B.9. After Franchisor receives all executed renewal documents and the Renewal Fee, it shall inspect the Restaurant to determine if any changes are required. Franchisee shall repair or replace, at Franchisee's cost and expense, equipment (including electronic cash register or computer hardware or software systems inclusive of any software upgrades required of Franchisees), signs, interior and exterior decor items, fixtures, furnishings, catering or delivery vehicles, if applicable, supplies and other products and materials required for the operation of the Restaurant as Franchisor may reasonably require and shall obtain, at Franchisee's expense, any new or additional equipment, fixtures, supplies and other products and materials which may be reasonably required by Franchisor for Franchisee to offer and sell new menu items from the Restaurant or to provide the Restaurant's services by alternative means such as through carry-out, catering or delivery arrangements and shall otherwise modernize the Restaurant premises, equipment (including electronic cash register or computer hardware or software systems inclusive of any software upgrades required of Franchisees), signs, interior and exterior decor items, fixtures, furnishings, catering or delivery vehicles, if applicable, supplies and other products and materials required for the operation of the Restaurant, as reasonably required by Franchisor to reflect the then-current standards and image of the System and as contained in the Manual (as defined in Article 5.1D**)** or otherwise provided in writing by Franchisor. Franchisee shall have six (6) months to complete any of the foregoing after written notice by Franchisor. Failure or refusal to make the required modifications shall be cause for termination of the renewed Franchise Agreement;

C. **Ineffective Exercise of Renewal Option.** Franchisee's failure to execute and deliver the agreements and release required by Article 3.B within thirty (30) days after Franchisor delivers them to Franchisee shall be deemed an election by Franchisee not to exercise the applicable renewal option.

D. **Extension.** If Franchisor is in the process of revising, amending or renewing its franchise disclosure documents or registration to sell franchises in the state where the Franchised Business is located, or, under applicable law, cannot lawfully offer Franchisee its then-current form of Franchise Agreement at the time Franchisee delivers its Renewal Notice, Franchisor may, in its sole and absolute discretion, offer to extend the terms and conditions of this Agreement on a day-to-day basis following the expiration of the Initial Term or Renewal Term for as long as Franchisor deems necessary so that Franchisor may lawfully offer its then-current form of Franchise Agreement; provided, however, nothing in this paragraph shall require Franchisor to extend this Agreement if, at the time Franchisee delivers a Renewal Notice, (i) Franchisor is not granting new franchises, or (ii) Franchisee is in default under this Agreement or a successor Franchise Agreement.

ARTICLE 4
FEES

A. **Initial Franchise Fee.**

A.I. Franchisee is not required to pay an initial fee ("Initial Franchise Fee").

C. **Royalty Fee.**

B.1 During the term of this Agreement, Franchisee shall pay to Franchisor, in partial consideration for the rights herein granted, a continuing weekly royalty fee (“Royalty Fee”) of five percent (5%) of Gross Sales (as such term is defined in Article 4.G, below). Such Royalty Fee shall be due and payable each week based on the Gross Sales for the preceding week ending on Sunday so that it is received by Franchisor by electronic funds transfer on or before the Wednesday following the end of each week, provided that such day is a business day. If the date on which such payment would otherwise be due is not a business day, then payment shall be due on the next business day.

B.2 Each such Royalty Fee shall be preceded by a royalty report itemizing the Gross Sales for the preceding week ending Sunday ("Royalty Report") and any other reports required hereunder. Franchisee shall provide Franchisor with a Royalty Report the Monday of each week (or next business day if the Monday is not a business day) by email or, if not reasonably available, by facsimile transmission, or such other method of delivery as Franchisor may reasonably direct.

B.3 If any state imposes a sales or other tax on the Royalty Fee, then Franchisor has the right to collect this tax from Franchisee.

C. **Marketing Fund Fee.** In addition to the Royalty Fee described in Article 4.B above, Franchisee agrees to pay to Franchisor an Internet, Marketing and Social Media Fee ("Marketing Fund Fee") in an amount equal to one percent (1%) of the Restaurant's Gross Sales. Such amount shall be contributed to a Marketing Fund maintained by Franchisor, as described in Article 8.0 below. If the Marketing Fund has not yet been established when this Agreement is executed by Franchisee and Franchisor, then Franchisee shall begin paying this advertising fee upon thirty (30) days advance notice from Franchisor that the Marketing Fund has been established. The Marketing Fund Fee is payable to Franchisor at the same time and in the same manner as the Royalty Fee.

D. **Payment to Franchisor.**

D.1 By executing this Agreement, Franchisee agrees that Franchisor shall have the right to withdraw funds from Franchisee's designated bank account each week by electronic funds transfer ("EFT") in the amount of the Royalty Fee, Marketing Fund Fee and any other payments due to Franchisor and/or its affiliates. To this end, Franchisee shall execute an authorization in substantially the same form set forth in Attachment E. If Franchisee does not deliver the necessary Royalty Report for any given week, then Franchisor may debit Franchisee's bank account for one hundred twenty percent (120%) of the last Royalty Fee and Marketing Fund Fee that Franchisor debited. Under these circumstances, if the Royalty Fee and Marketing Fund Fee Franchisor debits is less than the Royalty Fee and Marketing Fund Fee Franchisee actually owes to Franchisor, once Franchisor has been able to determine the Restaurant's true Gross Sales, Franchisor will debit Franchisee's bank account for the balance on a day chosen by Franchisor. If, however, the Royalty Fee and Marketing Fund Fee actually debited by Franchisor is greater than the Royalty Fee and Marketing Fund Fee actually owed by Franchisee, then Franchisor will credit the excess against the amount Franchisor would otherwise debit from Franchisee's account in a subsequent week.

D.2 Franchisee shall, upon execution of this Agreement or at any time thereafter upon request, execute any such documents or forms as Franchisor or Franchisee's bank determines are necessary for Franchisor to process EFTs from Franchisee's designated bank account for the payments due hereunder. If payments are not received when due, interest may be charged by Franchisor in accordance with Article 4.E., below. Upon written notice to Franchisee, Franchisee may be required to pay such fees directly to Franchisor in lieu of EFT, at Franchisor's sole and absolute discretion.

D.3 If the payments or reports required under Article 4.B and 4.C, above, are not received by Franchisor as required under this Article, Franchisee shall pay to Franchisor, in addition to the overdue amount, a fee of Twenty-Five Dollars ($25.00) per day for each day that the fee is unpaid or the report is not received. This fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement or at law. If for any reason the fee of Twenty- Five Dollars ($25.00) is deemed to be interest charged, required or permitted in excess of the maximum rate allowed under applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owning hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

E. **Interest on Overdue Amounts.** Franchisee shall not be entitled to withhold payments due Franchisor under this Agreement on grounds of alleged non-performance by Franchisor. Any payment or report not actually received by Franchisor on or before its due date shall be deemed overdue. Time is of the essence with respect to all payments to be made by Franchisee to Franchisor. All unpaid fees under this Agreement shall bear interest from the date due until paid at the lesser of (i) ten percent (10%) per annum; or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither Franchisee nor its Controlling

Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed under applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owning hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

F. **Gross Sales Defined.** "Gross Sales" shall mean the total selling price of all services and products and all revenue of every other kind and nature related to the Restaurant (including, without limitation, all proceeds from any business interruption insurance), whether for cash or credit and regardless of collection in the case of credit. In the event of a cash shortage, the amount of Gross Sales shall be determined based on the records of the electronic cash register system and any cash shortage shall not be considered in the determination. Gross Sales expressly excludes: taxes collected from Franchisee's customers and paid to the appropriate taxing authority; customer refunds or adjustments made in good faith to arm's length customers; the proceeds from the sale of any gift cards to customers; and any proceeds from the sale of any fixtures, equipment or similar items.

G. **Website Fee.** Franchisee shall pay to Franchisor, each month during the term of this Agreement, a Website Fee in the amount of thirty-five Dollars ($35.00) for maintenance of Franchisor's corporate Website and for maintenance of the web page for Franchisee's Restaurant. The Website Fee also includes on-line marketing for Franchisee's Restaurant, such as through social media and networking websites.

H. **Additional Fees.** Franchisee shall pay to Franchisor other fees or amounts described in this Agreement.

I. **Non-sufficient Funds.** In the event Franchisor is unable to debit Franchisee's account for monies owed to Franchisor due to insufficient funds in Franchisee's account, Franchisee shall be assessed a non-sufficient funds fee of One Hundred Dollars ($100.00) per occurrence payable on demand.

ARTICLE 5
FRANCHISOR OBLIGATIONS

Franchisor agrees to provide the services described below with regard to the Restaurant:

A. **Site Selection.** Franchisor's selection of the site for the Restaurant.

B. **On-Site Evaluation.** Such on-site evaluation as Franchisor may deem necessary on its own initiative or in response to Franchisee's reasonable request for site evaluation. Franchisor will provide one (1) on-site evaluation for the Restaurant at no charge. Thereafter, if Franchisee requests that Franchisor conduct an additional on-site evaluation of any site, Franchisee shall pay Franchisor's reasonable expenses incurred in connection with such assistance, including, without limitation, the reasonable costs of travel, lodging and meals.

C. **Prototype Design Plans.** On loan, one (1) set of prototypical architectural and design plans and specifications for a Restaurant. Franchisee shall independently, at its own expense, have such architectural and design plans and specifications adapted for construction of the Restaurant in accordance with Article 2. Franchisor's plans and specifications are considered confidential information and Franchisee agrees not to disclose these documents to anyone except those parties that need such documents in order to construct the Restaurant. Any adaptations or modifications made to these plans and specifications shall be deemed a work for hire and owed by Franchisor.

D. **Confidential Operations Manual.** On loan, one (1) set of confidential operations manuals and such other manuals and written materials as Franchisor shall have developed for use in the Franchised Business (as the same may be revised by Franchisor from time to time) (collectively the "Manual" or "Manuals"), as more fully described in Article 10.A. The Manuals may, in Franchisor's discretion, be provided electronically or via an intranet website for all Kikai's Chicken Restaurants in the System.

E. **Visits and Evaluations.** Visits to the Restaurant and evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor, as more fully described in Article 7.E.1.6.

F. **Advertising and Promotional Materials.** Certain advertising and promotional materials and information developed by Franchisor and/or Franchisor's affiliates from time to time for use by Franchisee in marketing and conducting local advertising for the Restaurant at a reasonable cost to Franchisee. Franchisor shall have the right to review and approve or disapprove all advertising and promotional materials proposed by Franchisee, pursuant to Article 8.

G. **Management and Operations Advice.** Advice and written materials concerning techniques of managing and operating the Restaurant from time to time developed by Franchisor, including new developments and improvements in Restaurant equipment, food products and the packaging and preparation thereof and menu items.

H. **Products for Resale.** From time to time and at Franchisor's reasonable discretion, at a reasonable cost, make available for resale to Franchisee's customers certain merchandise identifying the System, such as logoed merchandise and memorabilia, in sufficient amounts to meet customer demand. Franchisor may specify that Franchisee must purchase such merchandise from Franchisor, its affiliate, or another designated supplier.

I. **Approved Suppliers.** A list of approved suppliers as described in Article 7.D from time to time as Franchisor deems appropriate.

J. **Initial Training Program.** An initial training program for Franchisee's Controlling Principal(s), Manager and other Restaurant personnel and any other training programs in accordance with the provisions of Article 6.D.

K. **Opening Assistance.** On-site pre-opening and post-opening assistance at the Restaurant in accordance with the provisions of Article 6.D.1.3.

L. **Marketing Fund.** Establishment and administration of a Marketing Fund and/or advertising cooperatives in accordance with Article 8.

ARTICLE 6
FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS

A. **Representations of Controlling Principals.** Each of the Controlling Principals, jointly and severally, represents arid warrants that all of the representations and warranties contained in this Agreement including the following are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

A.1 The Controlling Principals shall make all commercially reasonable efforts to timely open and operate the Restaurant so as to achieve optimum sales and will follow our business advice and instructions with respect to the restaurant's operation.

A.2 There are no material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which would inhibit the transactions contemplated by this Agreement and the operation of the Restaurant.

A.3 There are no actions, suites, proceedings or investigations pending, or to your knowledge after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency, nor to the best of your knowledge is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, an of you assets, properties, rights or business, your right to operate and use your assets, properties or rights to carry on your business, and/or which affects or could affect your right to assume and carry out in the duties, obligations and responsibilities specified in this Agreement.

A.4 None of the Controlling Principals is a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

A.5 Each of the Controlling Principals will comply with all requirements of all federal, state and local laws, rules, regulations and orders, and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy, and any permits, certificates or licenses required by any applicable environmental law, rule or regulation.

A.6 The Controlling Principals will comply with Anti-Terrorism Laws and hereby certify, represent and warrant that none of their property or interests is subject to being blocked under, and that each is not otherwise in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" means and refers to Executive Order 13224 issued by the President of the United States, the USA

PATRIOT ACT, and all other present and future federal, state, and local laws, rules and regulations of any governmental authority concerning terrorist acts and acts of war relating to the United States. Violation of any Anti-Terrorism Laws shall constitute good cause for immediate termination of this Agreement.

A.7 Franchisee shall notify Franchisor in writing within two (2) days of its receipt or knowledge of the commencement of any action, suit or proceeding or the issuance of any order, writ, injunctions, subpoena, request or demand for information, award or decree of any court, agency or other governmental instrumentality, which may affect the operation or financial condition of the Franchised Business, the System or any other "Kikai’s Chicken" Restaurant.

B. **Representations of Corporate Identity.**

B.1. If Franchisee is a corporation, limited liability company, or partnership, Franchisee and the Controlling Principals represent, warrant and covenant that:

B.1.1. Franchisee is duly organized and validly existing under the state law of its formation;

B.1.2. Franchisee is duly qualified and is authorized to do business in the jurisdiction in which it maintains its principal place of business, as well as, the jurisdiction in which the Restaurant is located;

B.1.3. Franchisee's corporate charter, or operating agreement, or written partnership agreement shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Restaurant, unless otherwise consented to in writing by Franchisor;

B.1.4. The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's corporate power, if Franchisee is a corporation, or if Franchisee is a limited liability company, permitted under its operating agreement, or if Franchisee is a partnership, permitted under Franchisee's written partnership agreement and have been duly authorized by Franchisee and will be binding against Franchisee;

B.1.5. If Franchisee is a corporation or a limited liability company, copies of Franchisee's articles of incorporation, articles of organization, bylaws, operating agreement, other governing documents, any amendments thereto, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of stock of the corporation, and any other documents as may be reasonably required by Franchisor shall be furnished to Franchisor prior to the execution of this Agreement; or, if Franchisee is a partnership, copies of Franchisee's written partnership agreement, other governing documents and any amendments thereto shall be furnished to Franchisor prior to the execution of this Agreement by the requisite number or percentage of partners, if such approval or consent is required by Franchisee's written partnership agreement.

B.1.6. If Franchisee is a corporation, limited liability company, partnership or other form of legal entity other than an individual, the ownership interests in Franchisee are accurately and completely described in Attachment C. Further, if Franchisee is a corporation, Franchisee shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Franchisee or, if Franchisee is a partnership or other form of legal entity, Franchisee shall maintain at all times a current list of all owners of an interest in the partnership or entity. Franchisee shall immediately provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon reasonable written request;

B.1.7. If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement. If Franchisee is a partnership or limited liability company, its written agreement shall provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement;

B.1.8. Franchisee must have provided Franchisor with the most recent financial statements of Franchisee. Such financial statements present fairly the financial position of Franchisee, at the dates indicated therein and with respect to Franchisee, the results of its operations and its cash flow for the years then ended. Franchisee agrees that it shall maintain at all times, during the term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements of Franchisee;

B.1.9. If, after the execution of this Agreement, any person ceases to qualify as one of the Franchisee's Principals (defined in Article 20.K) or if any individual succeeds to or otherwise comes to occupy a position which would, upon designation by Franchisor, qualify him as one of Franchisee's Principals, Franchisee shall notify Franchisor within ten (10) days after any such change and, upon designation of such person by Franchisor as one of Franchisee's Principals or as a Controlling Principal, as the case may be, such person shall execute such documents and instruments (including, as applicable, this Agreement) as may be required by Franchisor to be executed by others in such positions;

B.1.10. Franchisor's Principals (as defined in Article 20.K) shall each execute Confidentiality, Non-disclosure and Non-Competition Agreement, the form of which is set forth in Attachment D to this Agreement (see Articles 10.2.2 and 10.3.4). The Controlling Principals shall, jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder pursuant to the terms and conditions of the Guaranty attached as Attachment G hereto, and shall otherwise bind themselves to the terms of this Agreement as stated herein; and

B.1.11. Franchisee and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth in this Article are continuing obligations of Franchisee and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchise and its Controlling Principals will cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

B.2 Franchisee does not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of Franchisee's current financial statements, which Franchisee has furnished to Franchisor before execution of this Agreement.

B.3 As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to Franchisee's knowledge or the knowledge of any of its officers, directors or owners after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of Franchisee's knowledge or the knowledge of such persons or entities is there any basis for any claim, action, suit, proceeding or investigations which affects or could affect, directly or indirectly, and of Franchisee's assets, properties, rights or business and or which affects or could affect Franchisor's right to assume and carry out in all respects the duties, obligations and responsibilities set forth in this Agreement.

B.4 Franchisee is a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

B.5 All of Franchisee's representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

C. **Manager.**

C.1. Upon the execution of this Agreement, Franchisee shall designate and retain an individual to serve as the manager (the "Manager "), approved by Franchisor, to direct the operation and management of the Restaurant. The Manager may be one of the Controlling Principals. The Manager shall, during the entire period he or she serves as such, meet the following qualifications:

C.1.1. The Manager shall satisfy Franchisor's educational and business experience criteria set forth in the Manuals or otherwise in writing by Franchisor;

C.1.2. The Manager shall devote full time and best efforts to the supervision and management of the Restaurant;

C.1.3. The Manager shall be an individual acceptable to Franchisor; and

C.1.4. The Manager shall satisfy the training requirements set forth in Article 6.D If, during the term of this Agreement, the Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Article, Franchisee shall promptly notify Franchisor and designate a replacement within sixty (60) days after the Manager ceases to serve, such replacement being subject to the same qualifications listed above (including completing all training and obtaining all certifications required by Franchisor). Franchisee shall provide for interim management of the Restaurant until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Agreement. Any failure to materially comply with the requirements of this Article 6.0 shall be deemed a material event of default under Article 17.A.2.19 hereof.

D. **Training.**

D.1. Franchisee agrees that it is necessary to the continued operation of the System and the Restaurant that Franchisee's personnel receive such training as Franchisor may reasonably require, and accordingly as follows:

D.1.1. Not later than thirty (30) days prior to the Opening Date, Franchisee's Controlling Principals, Manager and up to two employees (a maximum of three people) shall attend and complete, to Franchisor's reasonable satisfaction, Franchisor's initial six (6) week training program. Training of such persons shall be conducted by Franchisor or its designee at a Franchisor or designee-operated Restaurant in Sacramento, California or such other location designated by Franchisor. Franchisor shall provide instructors and training materials for the initial training of the Controlling Principals and Manager at no additional charge to Franchisee. If Franchisee wishes to send additional employees to Franchisor's initial training program, whether before the Restaurant opens or while the Restaurant is operating, Franchisee shall pay to Franchisor its then-current training fee for each additional trainee. In all cases, Franchisee is responsible for the travel and related costs (i.e. lodging, meals, wages, etc.) incurred by all attendees.

Franchisor shall determine, in its reasonable discretion, whether the Manager has satisfactorily competed initial training. If the initial training program is not satisfactorily completed by the Manager, or if Franchisor in its reasonable business judgment based upon the performance of the Manager, determines that the training program cannot be satisfactorily completed by any such person, Franchisee shall designate a replacement to satisfactorily complete such training. Any Manager subsequently designated by Franchisee shall also receive and complete such initial training. Franchisor reserves the right to charge a reasonable fee for any initial training provided by Franchisor to any replacement or successor Manager.

D.1.2. Franchisee's Manager and such other Restaurant personnel as Franchisor shall designate, shall attend such additional training programs and seminars as Franchisor may offer from time to time, if Franchisor requires such attendance. For all such programs and seminars, Franchisor will provide the instructors and training materials. However, Franchisor reserves the right to impose a reasonable fee for such additional training programs and seminars that are not mandatory. Franchisee shall be responsible for any and all expenses incurred by Franchisee or its Manager and other Restaurant personnel in connection with such additional training, including, without limitation, costs of travel, lodging, meals and wages.

D.1.3. In connection with the opening of the Restaurant, Franchisor shall provide Franchisee with opening assistance by a trained representative of Franchisor or its designee. The trainer will provide on-site pre-opening and opening training, supervision, and assistance to Franchisee for a period of up to seven (7) days around the Restaurant's opening. Franchisee agrees to reimburse the expenses incurred by Franchisor's representative in providing such opening assistance, including, but not limited to, travel, lodging and meals. For additional assistance and training requested by Franchisee, Franchisee shall pay the per diem fee then being charged to franchises under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals. If this Agreement is for Franchisee's second (2^{nd}) or later Restaurant, Franchisor reserves the right to either charge for its reasonable expenses incurred in connection with such training and assistance or to not provide opening assistance, as the case may be.

D.1.4. Upon the reasonable request of Franchisee or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's Restaurant personnel. For additional training and assistance requested by Franchisee, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

E. **Franchisee Meetings.**

E.1. Franchisor reserves the right to hold meetings for all franchisees and other Kikai's Chicken Restaurant operators, which meetings shall not occur more frequently than annually. Franchisor shall not be required to hold such meetings until Franchisor believes it is prudent to do so. These meetings may be used to provide additional training, introduce new products or changes to the System, or for other reasons. Franchisor reserves the right to designate that attendance at any franchisee meeting is mandatory for Franchisee, and/or its Manager. Franchisor may utilize money in the Marketing Fund to cover the cost of presenting the annual meeting. Franchisee shall be responsible for all expenses related to attending the meetings, including travel, lodging, meals and wages.

F. **Hiring Practices.**

F.1. Franchisee and the Controlling Principals understand that compliance by all franchisees operating under the System with Franchisor's training, development and operational requirements is an essential and material element of the System and that Franchisor and franchisees operating under the System consequently expend substantial time, effort and expense in training management personnel for the development and operation of their respective Restaurants. Accordingly, Franchisee and the Controlling Principals agree that if Franchisee or any Controlling Principal shall, during the term of this Agreement, designate as Manager or employ in a managerial position any individual who is at the time or was within the preceding ninety (90) days employed in a managerial or supervisory position by Franchisor, including, but not limited to, individuals employed to work in Restaurants operated by Franchisor or by any other franchisee, then such former employer of such individual shall be entitled to be compensated for the reasonable costs and expenses, of whatever nature or kind, incurred by such employer in connection with the training of such employee. The parties hereto agree that such expenditures may be uncertain and difficult to ascertain and therefore agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six (6) month period (or such shorter time, if applicable) immediately prior to the termination of his/her employment with such former employer shall be paid by Franchisee prior to such individual assuming the position of Manager or other managerial position unless otherwise agreed with the former employer. In seeking any individual to serve as Manager or in such other managerial position, Franchisee and the Controlling Principals shall not discriminate in any manner whatsoever to whom the provisions of this paragraph apply, on the basis of the compensation required to be paid hereunder, if Franchisee or any Controlling Principal designates or employs such individual. The parties hereto expressly acknowledge and agree that no current or former employee of Franchisor, Franchisee, or any other entity operating under the System shall be a third-party beneficiary of this Agreement or any provision hereof. Notwithstanding the above, solely for purposes of bringing an action to collect payments due under this paragraph, such former employer shall be a third-party beneficiary of this Article 6.G. Franchisor hereby expressly disclaims any representations and warranties regarding the performance of any employee or former employee of Franchisor, or any franchisee under the System who is designated as Franchisee's Manager or employed by Franchisee or any of the controlling Principals in any capacity, and Franchisor shall not be liable for any losses, of whatever nature or kind, incurred by Franchisee or any Controlling Principal in connection herewith.

G. **Compliance with Laws.** Franchisee shall comply with all requirements of federal, state and local laws, rules, regulations, and orders, including but not limited to obtaining the appropriate licenses and permits required by Franchisee's local or state government.

H. **Compliance with All Other Obligations.** Franchisee shall comply with all other requirements and perform such other obligations as provided hereunder.

ARTICLE 7
FRANCHISE OPERATIONS

A. **Compliance with Standards.** Franchisee understands the importance of maintaining uniformity among all of the Restaurants and the importance of complying with all of Franchisor's standards and specifications relating to the operation of the Restaurant.

B. **Maintenance of Restaurant.** Franchisee shall maintain the Restaurant in a high degree of sanitation, repair and condition, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment (including, but not limited to, electronic cash register or computer hardware and software systems), and decor as Franchisor may reasonably direct in order to maintain System-wide integrity and uniformity. Franchisee shall also obtain, at Franchisee's cost and expense, any new or additional equipment (including electronic cash register or computer hardware and software systems), fixtures, supplies and other products and materials which may be reasonably required by Franchisor for Franchisee to offer and sell new menu items from the Restaurant or to provide the Restaurant services by alternative means, such as through carry-out, catering or delivery arrangements. Except as may be expressly provided in the Manuals, no material alterations or improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures furnishings shall be made in or about the Restaurant or its premises without the prior written approval of Franchisor, which shall not be unreasonably withheld.

C. **Remodeling and Redecorating.** To assure the continued success of the Restaurant, Franchisee shall, upon the request of Franchisor, make other improvements to modernize the Restaurant premises, equipment (including electronic cash register or computer hardware and software systems), fixtures, supplies and other products and materials required for the operation of the Restaurant to Franchisor's then-current System wide standards and specifications. Franchisor agrees that it shall not request such remodeling and/or redecorating more frequently than every five (5) years during the term of this Agreement, except that if the Restaurant is transferred pursuant to Article 14, Franchisor may request that the transferee remodel and/or redecorate the Restaurant premises as described herein.

D. **Approved Suppliers.**

D.1 Franchisee shall comply with all of Franchisor's standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including electronic cash register or computer hardware and software systems) and other products used or offered for sale at the Restaurant. Except as provided in Articles 7.F and 7.G with respect to certain materials bearing the Marks and proprietary products, Franchisee shall obtain such items from suppliers (including manufacturers, distributors and other sources) who continue to demonstrate the ability to meet Franchisor's then-current standards and specifications for food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other items used or offered for sale at Restaurants and who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier; and who have not thereafter been disapproved by Franchisor.

D.2 If Franchisee desires to purchase, lease or use any products or other items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, or shall request the supplier itself to do so. Franchisee shall not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge, not to exceed the reasonable cost of the inspection and the actual cost of the test, shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then current criteria. Nothing herein shall be construed to require Franchisor to approve any particular supplier.

E. **Operation of Restaurant; Compliance with Standards.**

E.1. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Restaurant in strict conformity with such methods, standards and specifications of Franchisor set forth in the Manuals and as otherwise prescribed in writing from time to time. In particular, Franchisee also agrees:

E.1.1. To sell or offer for sale all menu items, products and services required by Franchisor and in the method, manner and style of distribution prescribed by Franchisor, including, but not limited to, dine in, carry-out, and/or catering services, only as expressly authorized by Franchisor in writing in the Manuals or otherwise in writing.

E.1.2. To sell or offer for sale only the menu items, products and services that have been expressly approved for sale in writing by Franchisor; to refrain from deviating from Franchisor's standards and specifications without Franchisor's prior written consent; and to discontinue selling and offering for sale any menu items, products or services which Franchisor may, in its sole discretion, disapprove in writing at any time.

E.1.3. To maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, products, materials, supplies and paper goods that conform to

Franchisor's standards and specifications; to prepare all menu items in accordance with Franchisor's recipes and procedures for preparation contained in the Manuals or other written directives, including, but not limited to, the prescribed measurements of ingredients; and to refrain from deviating from Franchisor's standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without Franchisor's prior written consent.

E.1.4. To permit Franchisor or its agents, during normal business hours, to remove a reasonable number of samples of food or non-food items from Franchisee's inventory or from the Restaurant, without payment therefore, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform with Franchisor's reasonable specifications.

E.1.5. To purchase/lease and install, at Franchisee's expense, all fixtures, furnishings, equipment (including electronic cash register and computer hardware and software systems), decor items, signs, catering or delivery vehicles, games, vending machines or other items not previously approved as meeting Franchisor's standards and specifications. If any of the property described above is leased by Franchisee from a third party, such lease shall be approved by Franchisor, in writing, prior to execution. Franchisor's approval shall be conditioned upon such lease containing a provision which permits any interest of Franchisee in the lease to be assigned to Franchisor upon the termination or expiration of this Agreement and which prohibits the lessor from imposing an assignment or related fee upon Franchisor in connection with such assignment.

E.1.6. To grant Franchisor and its agents the right to enter upon the Restaurant premises, during normal business hours, for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by rendering such assistance as such representatives may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge Franchisee a reasonable fee for Franchisor's expenses in so acting, payable by Franchisee immediately upon demand.

E.1.7. To maintain a competent, conscientious, trained staff and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may reasonably prescribe from time to time.

E.1.8. To install and maintain equipment and a telecommunications line in accordance with Franchisor's specifications to permit Franchisor to access and retrieve by telecommunication any information stored on electronic cash registers (or other computer hardware and software) Franchisee is required to utilize at the Restaurant premises as specified in the Manuals, thereby permitting Franchisor to electronically inspect and monitor information concerning Franchisee's Restaurant, Gross Sales and such other information as may be contained or stored in such equipment and software. Franchisee shall obtain and maintain Internet access or other means of electronic communication, as specified by Franchisor from time to time. It shall be a material default under this Agreement if Franchisee fails to maintain such equipment, lines and communication methods in operation and accessible to Franchisor at all times throughout the term of this Agreement. Franchisor shall have access as provided herein at such times and in such manner as Franchisor shall from time to time specify.

E.1.9. To honor all credit, charge, courtesy or cash cards or other credit devices required or approved by Franchisor. The Franchisee must obtain the written approval of Franchisor prior to honoring any previously unapproved credit, charge, courtesy or cash cards or other credit devices.

E.1.10. To sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another Kikai's Chicken Restaurant. Franchisee shall sell, issue, and redeem Gift Cards in accordance with procedures and policies specified by Franchisor in the Manuals or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other Kikai's Chicken Restaurants and for making timely payment to Franchisor, or other operators of Kikai's Chicken Restaurants, or a third-party service provider for Gift Cards issued from the Restaurant that are honored by Franchisor or other Kikai's Chicken Restaurant operators.

E.1.11. To obtain, at its sole expense, and maintain at all times during the term of this Agreement, such 24-hour monitored security system and services as may from time to time be required by Franchisor for the protection of the Restaurant. Any such security system equipment and services must meet the then current standards and specifications established by Franchisor.

F. **Proprietary Products.** Franchisee acknowledges and agrees that Franchisor and its affiliates may develop, for use in the System, certain products which are prepared from confidential proprietary recipes and which are trade secrets of Franchisor and other proprietary products bearing the Franchisor's Marks. Because of the importance of quality and uniformity of production and the significance of such products in the System, it is to the mutual benefit of the parties that Franchisor closely control the production and distribution of such products. Accordingly, Franchisee agrees that to the extent such products are or become a part of the System, Franchisee shall use only Franchisor's secret recipes and proprietary products and shall purchase solely form Franchisor or from a source designated by Franchisor all of Franchisee's requirements for such products. Franchisee further agrees to purchase from Franchisor for resale to Franchisee's customers certain merchandise identifying the System as Franchisor shall require, such as logoed merchandise, memorabilia and promotional products, in amounts sufficient to satisfy Franchisee's customer demand.

G. **Advertising and Promotional Materials.** Franchisee shall require all advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationary used in the Franchised Business), and other items which may be designated by Franchisor to bear the Marks in the form, color, location and manner prescribed by Franchisor, including, without limitation, notations about the ownership of the Marks.

H. **Complaints.** Franchisee shall process and handle all consumer complaints connected with or relating to the Restaurant, and shall promptly notify Franchisor by telephone and in writing of all of the following complaints: (i) food related illnesses; (ii) safety or health violations; (iii) claims exceeding One Hundred Dollars ($100.00); and (iv) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain for Franchisor's inspection any governmental or trade association inspection reports affecting the Restaurant or equipment located in the Restaurant during the term of this Agreement and for ninety (90) days after the expiration or earlier termination hereof.

I. **Telephone, Business & Other Listings.** Upon the execution of this Agreement or at anytime thereafter, Franchisee shall, at the option of Franchisor, execute such forms and documents as Franchisor deems necessary, including the Assignment and Power of Attorney attached hereto as Attachment F, to appoint Franchisor its true and lawful attorney-in-fact, including with full power and authority for the sole purpose of assigning to Franchisor only upon the termination or expiration of this Agreement, as required under Article 18.0, all rights to the telephone numbers of the Restaurant and any related and other business listings. Franchisee agrees that it has no authority to and shall not establish any website or listing on the Internet or World Wide Web without the express written consent of Franchisor, which consent may be denied without reason.

J. **Unapproved Products and Services.** In the event that Franchisee sells any food, beverage, products, novelty items, clothing, souvenirs or performs any services that Franchisor has not prescribed, approved or authorized, Franchisee shall, following notice from Franchisor: (i) cease and desist offering or providing the unauthorized or unapproved food, beverage, product, novelty item, clothing, souvenir or from performing such services and (ii) pay to franchisor, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars ($250.00) per day for each day such unauthorized or unapproved beverage, product, novelty item, clothing, souvenir is offered or provided by Franchisee after written notice from Franchisor. The prohibited product or service fine shall be in addition to all other remedies available to Franchisor under this Agreement or at law or in equity.

K. **Pricing.** With respect to the offer and sale of all menu items, Franchisor may from time-to-time offer guidance with respect to the selling price for such goods, products or services or Franchisor may determine the maximum selling prices for such menu and beverage items, and Franchisee shall be bound to adhere to any such recommended or required pricing. If Franchisee elects to sell any or all of its products or merchandise at any price recommended or required by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such products or merchandise at the recommended or required price will enhance Franchisee's sales or profits.

ARTICLE 8
ADVERTISING AND RELATED FEES

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

A. **Participation in Advertising.** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all Restaurants operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor shall be final and binding upon Franchisee. Notwithstanding the variety of advertising mediums provided herein, Franchisor will not require a contribution to advertising (whether through Local Advertising, Marketing Fund Fees and/or Cooperative contributions) of greater than four percent (4%) of Gross Sales.

B. **Local Advertising.**

B.1 In addition to the ongoing advertising contributions set forth herein and, subject to any allocation of Franchisee's expenditures for local advertising to the Cooperative as described in Article 8.D, Franchisee shall spend, annually throughout the term of this Agreement, not less than two percent (2%) of the Gross Sales of the Restaurant on advertising for the Restaurant in and around its PAR ("Local Advertising"). Depending on the creation of a Marketing Fund, or advertising Cooperative, Franchisor may, in its sole and absolute discretion, decrease the amount Franchisee is required to expend on Local Advertising upon written notice to Franchisee.

B.2 Franchisee shall submit to Franchisor annually a Local Advertising expenditure report accurately reflecting such expenditures for the preceding period on or before the first day of February following the end of each calendar year, provided that such day is a business day (if not then due the next business day). Additionally, Franchisor may request an interim Local Advertising expenditure report upon thirty (30) days written notice and require verification copies of all advertising and any other information reasonably requested by Franchisor. In addition to the restrictions set forth below, costs and expenditures incurred by Franchisee in connection with any of the following shall not be included in Franchisee's expenditures on Local Advertising for purposes of this Article 8.B, unless approved in advance by Franchisor in writing:

B.2.1. Incentive programs for employees or agents of Franchisee; including the cost of honoring any coupons distributed in connection with such programs;

B.2.2. Marketing research expenditures;

B.2.3. Food costs incurred in any promotion;

B.2.4. Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities;

B.2.5. Charitable, political or other contributions or donations;

B.2.6. In-store materials consisting of fixtures or equipment;

B.2.7. Seminar and educational costs and expenses of employees of Franchisee; and

B.2.8. Yellow Pages advertising.

C. **Marketing Fund.**

C.1. Franchisor reserves the right to establish and administer a marketing fund for the purpose of advertising the System on a regional or national basis (the "Marketing Fund"). Franchisee agrees to pay the Marketing Fund Fee described in Article 4.C, above. Franchisee agrees that the Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

C.1.1. Franchisor shall direct all advertising programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the. Marketing Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Restaurants operating under the System. Franchisor and/or its affiliates shall, with respect to Restaurants operated by Franchisor or its affiliates, contribute to the Marketing Fund generally on the same basis as Franchisee. In administering the Marketing Fund, Franchisor and its designees undertake no obligation to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising. Franchisor shall be entitled to reimbursement from the Marketing Fund for its reasonable expenses in managing the fund.

C.1.2. Franchisee agrees that the Marketing Fund may be used to satisfy any and all costs of maintaining, administering, directing and preparing advertising (including, without limitation, the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising, internet marketing, public relations activities; employing advertising agencies to assist therein; and costs of Franchisor's personnel and other departmental costs for advertising that is administered or prepared by Franchisor). All sums paid by Franchisee to the Marketing Fund shall be maintained in a separate account by Franchisor and may be used to defray any of Franchisor's expenses incurred for activities which are reasonably related to the administration or direction of the Marketing Fund and advertising programs for franchisees and the System.

C.1.3. A statement of operations of the Marketing Fund shall be prepared annually by Franchisor and shall be made available to Franchisee upon request.

C.1.4. Any monies remaining in the Marketing Fund at the end of any year will carry over to the next year. Although the Marketing Fund is intended to be of perpetual duration, Franchisor may terminate the Marketing Fund. The Marketing Fund shall not be terminated, however, until all monies in the Marketing Fund have been expended for advertising or promotional purposes or returned to contributing Franchised Businesses or those operated by Franchisor, without interest, on the basis of their respective contributions.

C.1.5. If Franchisor elects to terminate the Marketing Fund, it may, in its sole discretion, reinstate the Marketing Fund at any time thereafter. If Franchisor chooses to reinstate the Marketing Fund, said reinstated Marketing Fund shall be operated as described herein.

D. **Cooperative Funds.**

D.1. Franchisor may, in its discretion, create a regional advertising cooperative in any area, or Franchisor may approve the creation of such an advertising cooperative by franchisees in the System, and establish rules and regulations thereof ("Cooperative"). Immediately upon Franchisor's request, Franchisee must become a member of the Cooperative for the area in which some or all of its PAR is located. In no event may the Restaurant be required to be a member of more than one Cooperative. The Cooperative must be governed in the manner Franchisor prescribes. The Cooperative may require each of its members to make contributions thereto not to exceed one percent (1%) of such member's Gross Sales. Franchisee shall contribute such amounts at the times and in the manner as determined by the Cooperative members. Any funds contributed to a Cooperative will be credited against Franchisee's obligation to pay for Local Advertising as set forth in Article 8.B, above; provided, however, that if Franchisee's contributions to a Cooperative are less than its Local Advertising requirement, Franchisee shall nevertheless spend the difference on Local Advertising. The following provisions apply to each Cooperative:

D.1.1. the Cooperative must be organized and governed in a form and manner, and commence operating on a date, that Franchisor approves in advance in writing;

D.1.2. the Cooperative must be organized for the exclusive purpose of administering advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for the members' use in Local Advertising within the Cooperative's area;

D.1.3. the Cooperative may adopt is own rules and procedures, but such rules or procedures must be approved by Franchisor and must not restrict or expand any of Franchisee's rights or obligations under, this Agreement;

D.1.4. except as otherwise provided in this Agreement, and subject to Franchisor's approval, any lawful action of the Cooperative (including, without limitation, imposing assessments for Local Advertising) at a meeting attended by members possessing more than fifty percent (50%) of the total voting power in the Cooperative is binding upon Franchisee if approved by members possessing more than fifty percent (50%) of the voting power possessed by members in attendance, with each Restaurant having one (1) vote, but no franchisee (or commonly controlled group of franchisees) may have more than twenty five percent (25%) of the vote in the Cooperative regardless of the number of Franchised Businesses owned;

D.1.5. without Franchisor's prior approval, the Cooperative may not use, nor furnish to its members, any advertising or promotional plans or materials; all such plans and materials must be submitted to Franchisor in accordance with the procedures set forth in Article 8.E;

D.1.6. the Cooperative may require its members to periodically contribute to it in such amounts as it determines, subject to the limit set forth in the first paragraph of this Article 8.D.1;

D.1.7. no later than the fifteenth (15^{th}) day of each month, each member/franchisee must submit its contribution under Article 8.D.1.6 for the preceding calendar month to the Cooperative, together with such other statements or reports as Franchisor or the Cooperative may require, with Franchisor's prior written approval; and

D.1.8. if an impasse occurs because of a Cooperative members' inability or failure, within forty-five (45) days, to resolve any issue affecting the Cooperative's establishment or effective functioning, upon request of any Cooperative member, that issue must be submitted to Franchisor for consideration, and Franchisor's resolution of such issue is final and binding on all Cooperative members.

E. **Conduct of Advertising; Franchisor Approval.** All advertising and promotion by Franchisee in any medium shall be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee shall submit such unapproved plans and materials to Franchisor, and Franchisor shall approve or disapprove such plans and materials within fifteen (15) days of receipt. If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials are deemed to be not approved. Any plans and materials submitted by Franchisee for review shall become the property of Franchisor and there will be no restriction on Franchisor's use or dissemination of such materials. Franchisee shall not advertise or use the Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without Franchisor's express written consent. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, "Franchises Available" and reference to Franchisor's telephone number and/or Website.

F. **Grand Opening Advertising.** In addition to the ongoing advertising contributions set forth herein, Franchisee shall be required to spend at least Four Thousand Five Hundred Dollars ($4,500.00) on a grand opening advertising campaign to advertise the opening of the Restaurant. The grand opening advertising campaign shall be conducted in the sixty (60) day period comprising thirty (30) days prior to and thirty (30) days following the Restaurant's opening. All advertisements proposed to be used in the grand opening advertising campaign are subject to Franchisor's review and approval in the manner set forth in this Article 8. Franchisor may, it its discretion, require that Franchisee's grand opening advertising campaign include promotional giveaways. At Franchisor's request, Franchisee shall transfer its grand opening advertising money to Franchisor and Franchisor will conduct the grand opening advertising campaign on Franchisee's behalf.

G. **Websites.** As used in this Agreement, the term "Website" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees as follows:

G.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Marks, Kikai's Chicken Restaurants and any or all of the products offered at Restaurants, the franchising of Kikai's Chicken Restaurants, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including, without limitation, its design, content, functionality, links to websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the Website.

G.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Restaurant, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

G.3 Franchisee shall not establish a separate Website related to the Marks or the System without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish such a Website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchise specifically acknowledges and agrees that any such Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under this Article 8.

G.4 Franchisor shall have the right to modify the provisions of this Article 8.G relating to Websites as Franchisor shall solely determine is necessary or appropriate.

G.5 Franchisee understands and agrees that it may not promote its Restaurant or use any Mark in any manner on social and/or networking websites and mobile applications, including, but not limited to, Facebook, Twitter, Instagram, LinkedIn, and Snapchat without Franchisor's prior written consent.

ARTICLE 9
MARKS

A. **Use of Marks.** Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with the System and related standards and specifications.

B. **Ownership of Marks, Limited License.**

B.1. Franchisee expressly understands and acknowledges that:

B.1.1. Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

B.1.2. Neither Franchisee nor any Controlling Principal shall take any action that would prejudice or interfere with the validity of Franchisor's rights with respect to the Marks. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Marks or any service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the Restaurant and only at or from its Accepted Location or in approved advertising related to the Restaurant.

B.1.3. Franchisee understands and agrees that the limited license to use the Marks granted hereby applies only to such Marks as are designated by Franchisor, and which are not subsequently designated by Franchisor as being withdrawn from use, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that it is bound not to represent in any manner that it has acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted hereunder, or by virtue of Franchisee's use of any of the Marks.

B.1.4. Franchisee understands and agrees that any goodwill arising from Franchisee's use of the marks and the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Marks.

B.1.5. Franchisee shall not contest the validity of, or Franchisor's interest, in the Marks or assist others to contest the validity of, or Franchisor's interest in, the Marks.

B.1.6. Franchisee acknowledges that any unauthorized use of the Marks shall constitute an infringement of Franchisor's rights in the Marks and a material event of default hereunder. Franchisee agrees that it shall provide Franchisor with all assignments, affidavits, documents, information and assistance Franchisor reasonably requests to fully vest in Franchisor all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by Franchisor to register, maintain and enforce such rights in the Marks.

B.1.7. If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substitute proprietary marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. Franchisor shall have no obligation in such event to reimburse Franchisee for its documented expenses of compliance. Franchisee waives any other claim arising from or relating to any Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

C. **Limitation on Use of Marks.**

C.1. With respect to Franchisee's use of the Marks pursuant to this Agreement, Franchisee further agrees that:

C.1.1. Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Restaurant only under the name "Kikai's Chicken". Franchisee shall not use the Marks as part of its corporate or other legal name, and shall obtain the Franchisor's approval of such corporate or other legal name prior to filing with the applicable state authority.

C.1.2. During the term of this Agreement and any renewal hereof, Franchisee shall identify itself as the independent owner of the Restaurant in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Restaurant or as Franchisor may otherwise designate in writing.

C.1.3. Franchisee shall not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

C.1.4. Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

D. **Notification of Infringement or Claim.** Franchisee shall notify Franchisor immediately by telephone and thereafter in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, of any claim by any person of any rights in any Mark, and Franchisee and the Controlling Principals shall not communicate with any person other than Franchisor, its counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, any settlement, litigation or Patent and Trademark Office (or other) proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to the Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks. Franchisor will indemnify Franchisee and hold it harmless from any against any and all claims, liabilities, costs, damages and reasonable expenses for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Marks (including settlement amounts), provided that the conduct of Franchisee and the Controlling Principals with respect to such proceeding and use of the Marks is in full compliance with the terms of this Agreement.

E. **Retention of Rights by Franchisor.**

E.1. The right and license of the Marks granted hereunder to Franchisee is non-exclusive and Franchisor has and retains all of the following rights, among others, subject only to the limitations set forth in Article 1:

E.1.1. To grant other licenses for use of the Marks, in addition to those licenses already granted to existing franchisees;

E.1.2. To develop and establish other systems using the Marks or other names or marks and to grant licenses thereto without providing any rights to Franchisee; and

E.1.3. To engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services, and (b) the use in connection with such production, distribution and sale, of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by Franchisor.

ARTICLE 10
CONFIDENTIALITY AND NON-COMPETITION COVENANTS

A. **Confidential Operations Manuals.**

A.1. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall conduct its business in accordance with the Manuals and other written directives which Franchisor may reasonably issue to Franchisee from time to time whether or not such directives are included in the Manuals, and any other related materials created or approved for use in the operation of the Franchised Business.

A.2 Franchisee and the Controlling Principals shall at all times treat the Manuals, any written directives of Franchisor, and any other manuals and materials, and the information contained therein as confidential and shall maintain such information as trade secret and confidential in accordance with this Article 10. Franchisee and the Controlling Principals shall divulge and make such materials available only to such of Franchisee's employees as must have access to them in order to operate the Restaurant. Franchisee and the Controlling Principals shall not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above.

A.3 The Manuals, written directives, other related materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor, shall at all times be kept in a secure place on the Restaurant premises, and shall be returned to Franchisor immediately upon request or upon termination or expiration of this Agreement.

A.4 The Manuals, any written directives and other related materials issued by Franchisor and any modification to such materials shall supplement and be deemed part of this Agreement.

A.5 Franchisor may from time to time revise the contents of the Manuals and the contents of any other related materials created or approved for use in the operation of a Franchised Business. Franchisee shall remove and return to Franchisor all pages of the Manuals that have been replaced or updated by Franchisor. Franchisee expressly agrees to comply with each new or changed standard.

A.6 Franchisee shall at all times ensure that the Manuals are kept current and up to date. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor at Franchisor's corporate office shall control.

A.7 Franchisor may charge a replacement fee of Five Hundred Dollars ($500) for any replacement Manual requested by Franchisee.

B. **Confidential Information.**

B.1. As used in this Agreement, the term "Confidential Information" includes, without limitation, the following: the Manuals; Franchisor's prototype plans; any information or knowledge concerning the formulation, ingredients, raw materials, recipes and food preparation processes for Franchisor's proprietary and non-proprietary products and other merchandise and services sold at Kikai's Chicken Restaurants; knowledge of supply relationships; inventory purchase and control procedures; knowledge of pricing, sales, profit performance or other results of operations of any individual Kikai's Chicken Restaurant or the entire System; demographic data for determining sites and territories; the results of customer surveys and promotional programs; and, in general, trade secrets, recipes, methods, techniques, formats, systems, specifications, customer data, pricing and cost data, procedures, information systems and knowledge about the operation of Kikai's Chicken Restaurants or Franchisor's System, whether it is now known or exists or is acquired or created in the future, and whether or not the information is included in the Manuals, and any information which Franchisor expressly designates as Confidential Information. Confidential Information does not include (i) information which Franchisee can demonstrate came to its attention independent of the Kikai's Chicken franchise and prior to Franchisor's disclosure of the information in the Manuals or otherwise, and (ii) information that Franchisor agrees is, or has become, generally known in the public domain, except where public knowledge is the result of wrongful disclosure (whether or not deliberate or inadvertent.)

B.2 Except as may otherwise expressly permitted herein, neither Franchisee nor any Controlling Principal shall, during the term of this Agreement or thereafter, disclose, duplicate, sell, reveal, divulge, publish, furnish or communicate, either directly or indirectly, any Confidential Information to any other person, firm or entity, unless authorized by this Agreement or in writing by Franchisor. Franchisee agrees to:

B.2.1. confine disclosure of Confidential Information to those of its employees and agents who require access in order to perform the functions for which they have been hired or retained; and

B.2.2. observe and implement reasonable procedures prescribed from time to time by Franchisor to prevent the unauthorized or inadvertent use, publication or disclosure of Confidential Information.

B.3 Franchisee and its Controlling Principals acknowledge that the use, publication or duplication of the Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by Franchisee, grounds for termination of this Agreement.

B.4 Franchisee shall deliver to Franchisor a separate Confidentiality, Non-Disclosure and Non-Competition Agreement in form set forth in Attachment D, executed by Franchisee and each person who is now, or during the term becomes, Franchisee's General Manager or other personnel of Franchisee who has received or will have access to Confidential Information. All of Franchisee's Principals not required to sign this Agreement as a Controlling Principal must execute such agreement.

B.5 If Franchisee or the Controlling Principals develop any new concept, process, product, recipe, or improvement in the operation or promotion of the Restaurant, Franchisee is required to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Franchisee and the Controlling Principals acknowledge that any such concept, process, product, recipe, or improvement will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate.

B.6 The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding, provided Franchisee shall have used its best efforts, and shall have afforded Franchisor the opportunity, to obtain any appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be disclosed.

C. **Non-Competition.**

C.1. Franchisee and the Controlling Principals specifically acknowledge that, pursuant to this Agreement, Franchisee and the Controlling Principals will receive valuable training, trade secrets and Confidential Information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and the Controlling Principals covenant that during the Initial Term-or any Renewal Term of this Agreement (or with respect to each of the Controlling Principals, during the term of this Agreement for so long as such individual or entity satisfies the definition of "Controlling Principals" as described in Article 20.K of this Agreement), except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Controlling Principals shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person(s), partnership, corporation or other entity:

C.1.1. Divert, or attempt to divert, any business or customer of the Franchised Business to any competitor, 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 and the System;

C.1.2. Employ, or seek to employ, any person who is at that time or was within the preceding ninety (90) days employed by Franchisor, or by any other franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment, except as may be permitted under any existing agreement between Franchisor and Franchisee; or

C.1.3. Own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any quick service or fast casual food service business or restaurant, located anywhere in the world where the Marks are in use, which is of a character and concept similar to the Restaurant or derives more than ten percent (10%) of its Gross Sales from the sale or distribution of, chicken, waffles, fries and other food items similar to those sold by the Franchised Business (a "Competitive Business").

C.2. With respect to Franchisee, and for a continuous uninterrupted period commencing upon the expiration, nonrenewal, or termination of, or transfer of all of Franchisee's interest in, this Agreement (or, with respect to each of the Controlling Principals, commencing upon the earlier of: (i) the expiration, nonrenewal, or termination of, or transfer of all of Franchisee's interest in, this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of "Controlling Principals" as described in Article 20.k of this Agreement) and continuing for a period of two (2) years thereafter, except as otherwise approved in writing by Franchisor, neither Franchisee, nor any of the Controlling Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, persons, partnership, corporation or other entity:

C.2.1. Divert, or attempt to divert, any business or customer of the Franchised Business to any competitor, 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 and the System;

C.2.2. Employ, or seek to employ, any person who is at that time or was within the preceding ninety (90) days employed by Franchisor, or by any other franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment, except as may be permitted under any existing agreement between Franchisor and Franchisee;

C.2.3. Own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business which is or is intended to be, located at the Approved Location, within the PAR, or located within twenty five (25) miles of any other Kikai's Chicken restaurant located anywhere in the world, regardless of whether such Kikai's Chicken restaurant opens before or after the termination or expiration of this Agreement; provided, however that this provision shall not apply to the operation by Franchisee or Controlling Principal of any Restaurant under the System pursuant to a separate franchise agreement with Franchisor; or

C.2.4. Sublease, assign, or sell its interest in any lease, sublease, or ownership of the Restaurant premises or assets of the Franchised Business to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by any such third party of a Competitive Business.

C.3. The Parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill, trade secrets, Confidential Information and other business interests of Franchisor. The parties agree that each of the covenants herein shall be construed as independent of any other covenant or provision in this Agreement. If all or any portion of a covenant in this Article 10.0 is held unreasonable or unenforceable by a court, arbitrator or other agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, Franchisee and the Controlling Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated herein and made a part of this Article 10.C.

C.3.1. Franchisee and the Controlling Principals understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article 10.C, or any portion thereof, without their consent, effective immediately upon notice to Franchisee; and Franchisee and the Controlling Principals agree that they shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Article 20.B hereof.

C.3.2. Franchisee and the Controlling Principals expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants contained in this Article.

C.3.3. Articles 10.C.1.3 and 10.C.2.3 shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

C.4. Franchisee shall require and obtain execution of covenants similar to those set forth in this Article 10.0 (including covenants applicable upon the termination of a person's employment with Franchisee) from its Manager and all other personnel of Franchisee who have received or will have access to training and Confidential Information from Franchisor. Such covenants shall be substantially in the form set forth in Attachment D. All of Franchisee's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the non-competition covenant set forth in Attachment D or eliminate such non-competition covenant altogether for any party that is required to execute such agreement under this Article 10.C.4.

D. **Failure to Comply.** Franchisee and the Controlling Principals acknowledge that any failure to comply with the requirements of Articles 10.B and 10.0 of this Article shall constitute a material event of default under Article 17 hereof. Franchisee and the Controlling Principals acknowledge that a violation of the terms of Articles 10.B and 10.0 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, in the event any such breach occurs, Franchisee and the Controlling Principals consent to entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief which may be granted by a court vested with proper jurisdiction, without the requirement that Franchisor post bond. Franchisee and the Controlling Principals further agree that the award of equitable remedies to Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor. Moreover, Franchisee and the Controlling Principals agree to pay all mediation, arbitration, reference and/or court costs and reasonable attorneys' fees incurred by Franchisor in connection with the enforcement of this Article, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements set forth in this Article.

E. **Survival.** The covenants in this Article shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each of the Controlling Principals.

ARTICLE 11
BOOKS AND RECORDS

A. **Books and Records.** Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, full, complete and accurate books, records and accounts, including, but not limited to, sales slips, coupons, purchase orders, payroll records, checks, stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers, records of EFT transactions, and backup or archived records of information maintained on any computer system in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing.

B. **Reports.**

B.1. In addition to the Royalty Report and any Local Advertising expenditure reports required under Articles 4 and 8 hereof, Franchisee shall also comply with the following reporting obligations.

B.1.1. Franchisee shall, at Franchisee's expense, submit to Franchisor in the form prescribed by Franchisor, profit and loss statements for each month (which may be unaudited) for Franchisee within fifteen (15) days after the end of each month during the term hereof. Each such statement shall be signed by Franchisee's treasurer or chief financial officer (or other comparable officer) attesting that it is true, correct and complete;

B.1.2. Franchisee shall, at Franchisee's expense, submit to Franchisor a complete annual financial statement for Franchisee prepared by an independent certified public accountant, within ninety (90) days after the end of each fiscal year during the Term hereof, showing the results of Franchisee's operations during such fiscal year. Franchisor reserves the right to require such financial statements to be audited by an independent certified public accountant satisfactory to Franchisor, which audit will be at Franchisee's cost and expenses if an inspection discloses an understatement of two percent (2%) or more in any report, pursuant to Article 11.C; and

B.1.3. Franchisee shall also submit to Franchisor, for review or auditing, such other forms, reports, records, information and data as Franchisor may reasonably designate, and which pertain to the Franchised Business, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in writing.

C. **Inspections; Audits.** Franchisor or its designees shall have the right, during normal business hours, to review, audit, examine and copy any or all of Franchisee's books and records as Franchisor may require at the Restaurant. Franchisee shall make such books and records available to Franchisor or its designees immediately upon request. If any required Royalty Fees or other payments due to Franchisor are delinquent, or if an inspection should reveal that such payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount overdue or understated upon demand with interest determined in accordance with the provisions of Article 4.E. If an inspection discloses an understatement in any report of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

D. **Correction of Errors**. Franchise understands and agrees that the receipt or acceptance by Franchisor of any of the statements furnished or Royalty Fees paid to Franchisor (or the cashing of any Royalty Fee checks or processing of any EFTs) shall not preclude Franchisor from questioning the correctness thereof at any time and, in the event that any inconsistencies or mistakes are discovered in such statements or payments, they shall immediately be rectified by Franchisee and the appropriate payment shall be made by Franchisee.

E. **Authorization of Franchisor.** Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to affect such authorization) all banks, financial institutions, businesses, suppliers, manufactures, contractors, vendors and other persons or entities with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to Franchisee or the Restaurant. Franchisee authorizes Franchisor to disclose data from Franchisee's reports, if Franchisor determines, in its sole and absolute discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing Franchisees or other third parties.

E.1. Attorney-in-Fact. Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state and/or federal taxing authority pertaining to the Franchised Business. This power of attorney shall survive the expiration or termination of this Agreement. Upon the execution of this Agreement or at any time thereafter, Franchisee shall, at the option of Franchisor, execute such forms and documents as Franchisor deems necessary to reflect this appointment including the form attached hereto as Attachment F.

ARTICLE 12
INSURANCE

A. **Insurance.** Franchisee shall procure, upon execution of this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor, and the successors and assigns, officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Restaurant.

B. **Required Coverage.** Such policy or policies shall be written by a responsible, duly license carrier or carriers reasonably acceptable to Franchisor and shall include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified by Franchisor from time to time), in accordance with standards and specifications set forth in writing, the following:

B.1 Commercial General Liability Insurance with coverage of $1,000,000 per occurrence and $2,000,000 aggregate.

B.2 "All Risks" or "Special" form general casualty insurance coverage including without limitation) fires and extended coverage, vandalism and malicious mischief insurance, for any vehicle that Franchisee uses in operating the Franchised Business and for additional perils (including, without limitation, flood and earthquake coverage) if applicable to the area where the Franchised Business is located, for the full replacement value of the Franchised Business and its contents based on the cost of replacing the damaged or destroyed property with property meeting Franchisor's current specifications at the time replacement is required. The minimum coverage shall be no less than the amount specified in the Manual on the Effective Date.

B.3 Business Interruption insurance in a sufficient amount to cover profit margins, maintenance of component and desirable personnel and fixed expenses for a period of at least 90 days.

B.4 Workers' compensation and employer liability insurance as required by applicable law.

B.5 Such other insurance required by the state or locality in which the Restaurant is located and operated, or as may be required by the terms of your lease.

B.6. Franchisee may, with Franchisor's prior written consent, elect to have reasonable deductibles in connections with the coverages required herein.

C. **Restaurant Construction.** In connection with any construction, renovation or remodeling of the Restaurant, Franchisee must maintain Builders Risks/installation insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to Franchisor.

D. **Evidence; Additional Insureds.** Not later than thirty (30) days before the Restaurant initially opens for business, and thereafter thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. All insurance policies required hereunder, with the exception of workers' compensation, shall name Franchisor, its officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions. Further, all insurance policies required hereunder shall expressly provide that no less than thirty (30) days prior written notices shall be given to Franchisor in the even of a material alteration to or cancellation of the policies.

E. **Insurance; Other.**

E.1. Franchisor shall specify the deductible limits for each required insurance policy and may, from time to time, increase the minimum insurance requirements, establish or change deductible limits, require that Franchisee procure and maintain additional forms of insurance, and otherwise modify the insurance requirements contained in this Agreement based upon inflation, general industry standards, Franchisor's experience with claims, or on other commercially reasonable grounds. Franchisee agrees to comply with any such changes within thirty (30) days after written notice, at its expense. The policies required hereunder shall also include a waiver of subrogation in favor of Franchisor, its affiliates, and Franchisor's respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees.

E.2 All general liability and property damage policies shall contain a provision that Franchisor, its officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor or its employees, agents or servants by reason of the negligence of Franchisee or its employees, agents or servants.

E.3 Franchisee's obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Article 15 of this Agreement.

E.4 Should Franchisee, for any reason, fail to procure and maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in writing, then Franchisor shall have the right and authority (without, however, any obligation to do so) immediately procure such insurance and to charge same to Franchisee, which charges, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

E.5 Franchisee shall, upon written notice by Franchisor, procure from its insurance carrier or carriers a report of claims made and reserves set against Franchisee's insurance policies.

E.6. Franchisor reserves the right to modify the types of insurance coverages and amounts of coverage that Franchisee is required to maintain for the Restaurant, and Franchisee agrees to comply with any such changes, at its expense.

ARTICLE 13
TAXES AND COMPLIANCE

A. **Taxes.** Franchisee shall promptly pay when due all Taxes (as hereinafter defined), levied or assessed, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business under this Agreement. Without limiting the provisions of Article 15, Franchisee shall be solely liable for the payment of all Taxes and shall indemnify Franchisor for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether such Taxes were correctly or legally asserted or not. Franchisee shall submit a copy of all tax filings sent to federal, state and local tax authorities to Franchisor within ten (10) business days after such filing has been made with the appropriate taxing authority.

The term "Taxes" as used herein shall mean and refer to any present or future taxes, levies, imposts, duties or other charges of whatever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Franchised Business, the payment of monies, or the exercise of rights granted pursuant to this Agreement.

B. **Payment to Franchisor.** Each payment to be made to Franchisor hereunder shall be made free and clear and without deduction for any Taxes.

C. **Tax Disputes.** In the event of any bona fide dispute as to Franchisee's liabilities for Taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor, to occur against the premises of the Franchised Business or any improvements thereon.

D. **Compliance with laws.** Franchise shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy and any permits, certificates or licenses required by any environmental law, rule or regulation.

E. **Notice of Action or Proceeding.** Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding affecting the Franchised Business and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

ARTICLE 14
TRANSFER OF INTEREST

A. **Transfer by Franchisor.**

A.1. Franchisor shall have the right, without the need for Franchisee's consent, to assign, transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal entity, provided that the transferee agrees in writing to assume all obligations by Franchisor herein and Franchisee receives a statement from both Franchisor and its transferee to that effect. Upon such an assignment and assumption, Franchisor shall be under no further obligation hereunder. Franchisee further agrees and affirms that Franchisor may: (i) sell its assets, its rights to the Marks or to the System outright to a third party; (ii) sell any form of securities to the public (by way of initial public offering or otherwise); (iii) engage in a private placement of some or all of its securities; (iv) merge, acquire other corporations or entities, or be acquired by another entity; (v) undertake a refinancing, recapitalization, entity conversion, leveraged buyout or other economic or financial restructuring. With regard to any of the aforementioned sales, assignments, transactions and/or dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Marks (or any variation thereof) and System.

A.2. Franchisee agrees that Franchisor has the right, now and in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Kikai’s Chicken restaurants operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of any such facilities (which Franchisee acknowledges may be within its PAR, proximate thereto, or proximate to any of Franchisee's locations). However, Franchisor represents that it will not convert any such acquired restaurant premises that are operating within Franchisee's PAR to a Kikai’s Chicken restaurant. Nothing contained in this Agreement shall require Franchisor to remain in the restaurant business or to offer the same products or services, whether or not bearing the Marks, in the even that franchisor exercises its right to assign this Agreement.

B. **Transfers by Franchisee.**

B.1 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and the Controlling Principals. Franchisee and its Controlling Principals (including their successors and assigns) understand and agree that, without Franchisor's prior written consent, they have no right, by operation of law or otherwise, to sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber, directly or indirectly, any interest in: (i) this Agreement; (ii) the Restaurant and/or any of the Restaurant's material assets (other than in connection with replacing, upgrading or otherwise dealing with such assets as required or permitted by this Agreement); (iii) Franchisee's right to use Franchisor's Marks; or (iv) Franchisee (if Franchisee is an entity). Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material event of default under this Agreement.

B.2 If Franchisee wishes to transfer all or part of its interest in the Restaurant or this Agreement, or if Franchisee or a Controlling Principal wishes to transfer any ownership interest in Franchisee, transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee, in the Restaurant or in this Agreement. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

B.2.1. All of the accrued monetary obligations of Franchisee or any of its affiliates and all other outstanding obligations to Franchisor arising under this Agreement or any other agreement shall have been satisfied in a timely manner and Franchisee shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

B.2.2. Franchisee and its affiliates shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee or any of its affiliates and Franchisor at the time of transaction;

B.2.3. The Franchisee/transferor and its principals (if applicable) shall have executed a general release, in a form reasonably satisfactory to Franchisor, of any and all claims against Franchisor, its officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state and local laws, rules and regulations;

B.2.4. The transferee shall demonstrate to Franchisor's reasonable satisfaction that transferee meets the criteria considered by Franchisor when reviewing a prospective franchisee's application for a license, including, but not limited to, Franchisor's educational, managerial and business standards; transferee's good moral character, business reputation and credit rating; transferee's aptitude and ability to conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise); transferee's financial resources and capital for operation of the business and the geographic proximity and number of other Restaurants owned or operated by transferee;

B.2.5. At Franchisor's option, the transferee shall either (i) enter into a written agreement, in a form reasonably satisfactory to Franchisor, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements contained in this Agreement; and, if transferee is a corporation, partnership, limited liability or other form of entity, transferee's shareholders/partners/members/ owners, as applicable, shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements; or (ii) execute, for a term ending on the expiration date of this Agreement and with such renewal terms as may be provided by this Agreement, the standard form franchise agreement then being offered to new System franchisees and any other ancillary agreements as Franchisor may require for the Restaurant, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement and may be less advantageous to the transferee, provided however that the transferee will not be obligated to pay the Initial Franchise Fee under the new agreement and the PAR will remain the same;

B.2.6. The transferee, at its expense, shall renovate, modernize and otherwise upgrade the Restaurant to conform to the then-current standards and specifications of the System, and shall complete the upgrading and other requirements which conform to the System-wide standards within the time period reasonably specified by Franchisor;

B.2.7. Franchisee or other transferor shall remain liable for all of the obligations to Franchisor in connection with the Restaurant incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

B.2.8. At the transferee's expense, the transferee, the transferee's general manager (as applicable) and/or any other applicable Restaurant personnel shall complete any training programs then in effect for franchisees of restaurants in the System upon such terms and conditions as Franchisor may then reasonably require.

B.2.9. Franchisee shall pay to Franchisor a transfer fee of Five Thousand Dollars ($5,000) to reimburse Franchisor for expenses involved in the transfer;

B.2.10. If the transferee is a corporation, partnership, limited liability or other entity, the transferee shall make and will be bound by any or all of the representations, warranties and covenants set forth in Article 6 as Franchisor requests. Transferee shall provide Franchisor with such evidence satisfactory to Franchisor that the terms of such Article have been satisfied and are true and correct on the date of transfer.

B.3 Franchisee shall not grant a security interest in the Restaurant or in any of Franchisee's assets without Franchisor's prior written consent, which shall not be unreasonably withheld. In connection therewith, the secured party will be required by Franchisor to agree that in the even of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option, but not the obligation, to be substituted as obligor to the secured party and to cure any default of Franchisee.

B.4 Franchisee acknowledges and agrees that each condition that must be met by the transferee under this Article is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

C. **Transfer to a Corporation or Limited Liability Company.** In the event of the proposed transfer is to a corporation, limited liability company or other business entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon the requirements set forth in Articles 14.B.2.1 and 14B.2.2 and 14.B.2.7. With respect to a transfer to a business entity formed for the convenience of ownership, Franchisee shall be the owner of all of the voting stock or interest of the entity and if Franchisee is more than one (1) individual, each individual shall have the same proportionate ownership interest in the corporation as they had in Franchisee prior to the transfer.

D. **Franchisor's First Right of Refusal.**

D.1. If Franchisee wishes to transfer all or part of its interest in the Restaurant or this Agreement or if Franchisee or a Controlling Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by Franchisor describing such offer, to send written notice to the seller that the Franchisor intends to purchase the seller's interest on the same material terms and conditions offered by the third party. In the event that Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within the later of sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor, sixty (60) days from the date Franchisor receives or obtains all necessary documentation, permits and approvals, or such other date as the parties agree upon in writing. Any material change in the terms of any third party offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. Failure or refusal of Franchisor to exercise the option afforded by this Article 14.D shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Article 14, with respect to a proposed transfer.

D.2 In the event an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash portion of the offer, then such amount shall be determined by two (2) separate appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event that Franchisor exercises its right of first refusal herein provided, it shall have the right to set off against any payment therefore (i) all fees for any such independent appraiser due from Franchisee hereunder and (ii) all amounts due from Franchisee to Franchisor.

D.3 Franchisor may assign its rights under this Article 14.D to any other person or entity, subject to Article 14.A above.

D.4 Failure to comply with the provisions of this Article 14.D prior to the transfer of any interest in the Restaurant, this Agreement or Franchisee shall constitute a material event of default under this Agreement.

E. **Death or Disability.**

E.1 Upon the death of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person and who has an interest in this Agreement, the Restaurant or Franchisee (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death of the Deceased.

E.2 Upon the permanent disability of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person and who has an interest in this Agreement, the Restaurant or Franchisee, Franchisor may, in its reasonable discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Article 14 within six (6) months after notice to Franchisee. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made a part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the pursues of this Article 14.E. The cost of any examination required under this Article 14.E shall be paid by Franchisor.

E.3 Upon the death or claim of permanent disability of Franchisee or any Controlling Principal, Franchisee or a representative of Franchisee must notify Franchisor of such death or claim of permanent disability within ten (10) days of its occurrence. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Article 14.E for any *inter vivos* transfer. If an interest is not transferred upon death or permanent disability as required in this Article, then such failure shall constitute a material event of default under this Agreement.

E.4 In order to prevent any interruption of the Restaurant operations which would cause harm to the Restaurant, thereby depreciating the value thereof, Franchisee authorizes Franchisor, who may, at its option, in the event that Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Restaurant to Franchisor's required standards, operate the Restaurant for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. All monies from the operation of the Restaurant during such period of operation by Franchisor shall be kept in a separate account, the expenses of the Restaurant, including reasonable compensation and expenses for Franchisor's representative, shall be charged to said account. If, as herein provided, Franchisor temporarily operates the Restaurant franchised herein for Franchisee, Franchisee agrees to indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, from any and all acts which Franchisor may perform, as regards the interests of Franchisee or third parties.

F. **No Waiver of Claims.** Franchisor's consent to a transfer of any interest described herein shall not constitute a waiver of any claims which Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand material and full compliance with any of the terms of this Agreement by the transferee.

G. **Transfer among Owners.** If any person holding an interest in Franchisee, this Agreement or the Restaurant (other than Franchisee or a Controlling Principal, which the parties shall be subject to the provisions set forth above) transfers such interest, then Franchisee shall promptly notify Franchisor of such proposed transfer in writing and shall provide such information relative thereto as Franchisor may reasonably request prior to such transfer. Such transferee may not be a competitor of Franchisor. Such transferee will be Franchisee's Principal and as such will have to execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor, the current form of which is attached hereto as Attachment D (See Article 10.C.4). Franchisor also reserves the right to designate the transferee as one of the Controlling Principals. Notwithstanding the provisions contained in Article 14.B to the contrary, the Controlling Principals may freely transfer their ownership interests in Franchisee among themselves and to their family members (or to trusts for the benefit of such family members), and the Franchisor's right of first refusal shall be inapplicable with respect to such transfers, provided Franchisee provides Franchisor with thirty (30) days prior written notice of such transfer, which notice shall include the names and percentages transferred.

ARTICLE 15
INDEMNIFICATION

A. **Indemnification by Franchisee.**

A.1. Franchisee and each of the Controlling Principals shall, at all times, indemnify and hold harmless to the fullest extent permitted by law Franchisor, its officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them ("Indemnitees"), from all "losses and expenses" (as hereinafter defined in Article 15.D.2) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

A.1.1. The infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of the Controlling Principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, any copyrights or other proprietary information granted hereunder pursuant to Article 10);

A.1.2. The violation, breach or asserted violation or breach by Franchisee or any of the Controlling Principals of any federal, state or local law, regulation, ruling, standard or directive or any industry standard;

A.1.3. Libel, slander or any other form of defamation of Franchisor, its affiliates, the System or any franchisee or operator operating under the System, by Franchisee or by any of the Controlling Principals;

A.1.4. The violation or breach by Franchisee or by any of the Controlling Principals of any warranty, representation, agreement or obligation in this Agreement or in any other agreement between Franchisee or any of its affiliates and Franchisor and its Indemnitees; and

A.1.5. Acts, errors, or omissions of Franchisee, any of Franchisee's affiliates and any of the Controlling Principals and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of Franchisee and its affiliates in connection with the establishment and operation of the Restaurant, whether or not resulting from bodily injury, personal injury or property damage, or any other violation of the rights of others, or in any other way.

B. **Notification of Action or Claims.** Franchisee and each of the Controlling Principals agree to give Franchisor prompt notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of Franchisee and each of the Controlling Principals, Franchisor may elect to assume (but under no circumstances is obligated to undertake), or associate counsel of its own choosing with respect to, the defense and/or settlement of any action, suit, proceeding, claim, demand, inquiry, or investigation. Such an undertaking by Franchisor shall, in no manner or form, diminish the obligation of Franchisee and each of the Controlling Principals to indemnify the Indemnitees and to hold them harmless.

C. **Settlement Authority.**

C.1. In order to protect persons or property, or Franchisor's reputation or goodwill, or the reputation or goodwill of others, Franchisor may, at any time and without notice, as in its reasonable judgment deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry, or investigation if, in Franchisor's reasonable judgment, there are reasonable grounds to believe that:

C.1.1. any of the acts or circumstances enumerated in Article 15.A.1.1-15.A.1.4 above have occurred; or

C.1.2. any act, error, or omission as described in Article 15.A.1.5 may result directly or indirectly in damage, injury, or harm to any person or any property.

D. **Losses and Expenses.**

D.1. All losses and expenses incurred under this Article 15 shall be chargeable to and paid by Franchisee or any of the Controlling Principals pursuant to the obligations of indemnity under this Article, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity, or defense.

D.1.1. As used in this Article 15, the phrase "losses and expenses" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to Franchisor's goodwill, costs resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

E. **Indemnitees Do Not Assume Liability.** The Indemnitees do not hereby assume any liability whatsoever for acts, errors, or omissions of any third party with whom Franchisee, any of the Controlling Principals, Franchisee's affiliates or any of the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of Franchisee or its affiliates may contract, regardless of the purpose. Franchisee and each of the Controlling Principals shall hold harmless and indemnify the Indemnitees for all losses and expenses which may arise out of any action, errors or omissions of Franchisee, the Controlling Principals, Franchisee's affiliates, the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of Franchisee and its affiliates and any such other third parties without limitation and without regard to the cause or causes thereof or the negligence of Franchisor or any other party or parties arising in connection therewith and whether such negligence be sole, joint or concurrent, or active or passive.

F. **Recovery From Third Parties.** Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Franchisee or any of the Controlling Principals. Franchisee and each of the Controlling Principals agree that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable from Franchisee or any of the Controlling Principals by the Indemnitees.

G. **Survival of Terms.** Franchisee and the Controlling Principals expressly agree that the terms of this Article 15 shall survive the termination, expiration or transfer of this Agreement or any interest therein.

ARTICLE 16
RELATIONSHIP OF THE PARTIES

A. **Independent Contractor.** The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose.

B. **Notice to Public.** During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor conducting its Restaurant operations pursuant to the rights granted by Franchisor. Franchisee agrees to take such action as shall be reasonably necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Restaurant premises established for the purposes hereunder or on all letterhead, business cards, forms, and as further described in the Manuals. Franchisor reserves the right to specify in writing the content and form of such notice.

C. **No Assumption of Liability.** Franchise understands and agrees that nothing in this Agreement authorizes Franchisee or any of the Controlling Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Franchisee or any of the Controlling Principals or any claim or judgment arising therefrom.

ARTICLE 17
TERMINATION

A. **Termination without Opportunity to Cure.**

A.1 Franchisee acknowledges and agrees that each of Franchisee's obligations described in this Agreement is a material and essential obligation of Franchisee; that nonperformance of such obligations will adversely affect the Franchisor and the System; and that the exercise by Franchisor of the rights and remedies set forth herein is appropriate and reasonable.

A.2 Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, (except as otherwise stated below), effective immediately upon notice to Franchisee, upon the occurrence of any of the following events:

A.2.1. Subject to the laws of the jurisdiction in which the Restaurant is located to the contrary, if Franchisee, or any of Franchisee's partners, officers, directors, shareholders, or members, as the case may be, shall be adjudicated bankrupt or judicially determined to be insolvent, 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; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted against Franchisee; or if a final judgment in an amount exceeding $25,000.00 remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* or other appeal bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of Franchisee's Restaurant shall be sold after levy thereupon by any sheriff, marshal or constable.

A.2.2. If Franchisee operates the Restaurant or sells any products or services authorized by Franchisor for sale at the Restaurant at a location that has not been approved by Franchisor;

A.2.3. If Franchisee fails to acquire an accepted location for the Restaurant within the time and in the manner specified in Article 2;

A.2.4. If Franchisee fails to construct or remodel the Restaurant in accordance with the plans and specifications provided to Franchisee under Article 5.0 as such plans may be adapted with Franchisor's approval in accordance with Article 2.E;

A.2.5. If Franchisee fails to open the Restaurant for business as a Kikai's Chicken Restaurant within the period specified in Article 2.F;

A.2.6. If Franchisee at any time ceases to operate or otherwise abandons the Restaurant, or loses the right to possession of the Restaurant premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located; provided, however, that this provision shall not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, acts of terrorism, fire or other catastrophe or other forces beyond Franchisee's control), if through no fault of Franchisee, the premises are damaged or destroyed by an event as described above, provided that Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation; such approval may be conditioned upon the payment of an agreed minimum fee to Franchisor during the period in which the Restaurant is not in operation;

A.2.7. If Franchisee or any of the Controlling Principals is convicted of, or has enters a plea of *nolo contendere* to, a felony, a crime involving moral turpitude, or other crime that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein;

A.2.8. If a threat or danger to public health or safety results from the construction, maintenance or operation of the Restaurant;

A.2.9. If Franchisee fails to propose a qualified replacement or successor General Manager within the time required under Articles 6.C.5 and 6.D.4, respectively following ten (10) days prior written notice;

A.2.10. If Franchisee or any of the Controlling Principals purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Restaurant to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal with respect to such transfer contrary to the terms of Article 14 of this Agreement;

A.2.11. If Franchisee or any of its affiliates fails, refuses, or neglects promptly to pay any monies owing to Franchisor, or any of its affiliates or vendors, when due under this Agreement or any other agreement, or to submit the financial or other information required by Franchisor under this Agreement and does not cure such default within five (5) days following notice from Franchisor (or such other cure period specified in such other agreement or applicable law, unless no cure period is stated or such period is less than five (5) days, in which case the five (5) day cure period shall apply);

A.2.12. If Franchisee or any of the Controlling Principals fails to comply with the in-term covenants in Article 10.0 hereof or Franchisee fails to obtain execution of the covenants and related agreements required under Article 10.C.4 hereof within thirty (30) days following notice from Franchisor;

A.2.13. If, contrary to the terms of Article 10.B.1 hereof, Franchisee or any of the Controlling Principals discloses or divulges any confidential information provided to Franchisee or the Controlling Principals by Franchisor, or fails to obtain execution of covenants and related agreements required under Article 10.B.4 hereof within thirty (30) days following notice from Franchisor;

A.2.14. If a transfer upon death or permanent disability is not transferred in accordance with Article 14 and within the time periods therein;

A.2.15. If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor;

A.2.16. If Franchisee breaches in any material respect any of the covenants set forth in Article 6 or has falsely made any of the representations or warranties set forth in Article 6;

A.2.17. If Franchisee fails to procure and maintain such insurance policies as required by Article 12 and Franchisee fails to cure such default within ten (10) days following notice from Franchisor;

A.2.18. If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein; provided that, notwithstanding the above, Franchisee shall be entitled to notice of such event of default and shall have twenty-four (24) hours to cure such default;

A.2.19. If Franchisee's General Managers is not able to complete Franchisor's initial training program to Franchisor's satisfaction, after having given Franchisee the opportunity to designate replacements; and

A.2.20. If Franchisee or any of the Controlling Principals commits three (3) material events of default under this Agreement, within any twelve (12) month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor.

B. **Termination with Opportunity to Cure.**

B.1. Except as provided in Article 17.A.2 above, upon any default by Franchisee which is susceptible of being cured, Franchisor may terminate this Agreement after giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination. However, Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's reasonable satisfaction or making a bona fide attempt to cure to Franchisor's reasonable satisfaction within the thirty (30) day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as agreed to by Franchisor, or as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period agreed to by Franchisor, or as applicable law may require. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following illustrative events:

B.1.1. If Franchisee fails to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably be supplemented by Franchisor, or fails to carry out the terms of this Agreement in good faith;

B.1.2. If Franchisee fails to maintain or observe any of the standards, specifications or procedures prescribed by Franchisor in this Agreement or otherwise in writing;

B.1.3. If Franchisee fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement.

C. **Cross Defaults.** Any default by Franchisee (or any person/company affiliated with Franchisee) under this Agreement may be regarded as a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee). A default by Franchisee (or any person/company affiliated with Franchisee) under any other agreement, including, but not limited to, any lease, sublease, loan agreement, security interest or otherwise, whether with Franchisor, an affiliate of Franchisor and/or any third party may be regarded as a default under this Agreement and/or any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee).

In each of the foregoing cases, Franchisor (and any affiliate of Franchisor) will have all remedies allowed at law, including termination of Franchisee's rights (and/or those of any person/company affiliated with Franchisee) and Franchisor's (and/or Franchisor's affiliates') obligations. No right or remedy which Franchisor may have (including termination) is exclusive of any other right or remedy provided under law or equity and Franchisor may pursue any rights and/or remedies available.

D. **Discontinuation of Services.** If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers a notice of termination to Franchisee pursuant to this Article 17, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products for which Franchisor is an approved supplier to Franchisee and/or suspension of Franchisee's webpage on Franchisor's Website, until such time as Franchisee corrects the breach.

E. **Amendment Pursuant to Applicable Law.** Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over Franchisor and the parties hereto shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon termination required by such laws and regulations; provided, however, that such constructive amendment shall not be deemed a concession by Franchisor that the grounds for termination set forth in this Agreement do not constitute "good cause" for termination within the meaning ascribed to that term by any applicable law or regulation. Franchisor shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement.

ARTICLE 18
RIGHTS AND OBLIGATIONS UPON TERMINATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and:

A. **Cease Operations.** Franchisee shall immediately cease to operate the Restaurant under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

B. **Cease Use of the System and the Marks.** Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any and all Confidential Information and methods, procedures, and techniques associated with the System; the mark "Kikai's Chicken"; and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles which display the Marks, and shall immediately change all paint colors, remove all of Franchisor's proprietary or non-proprietary design items. Continued use by Franchisee of any of the Marks or Confidential Information shall constitute willful trademark infringement and unfair competition by Franchisee.

C. **Cancellation of Assumed Names.** Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Marks "Kikai's Chicken" or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

D. **No Use of Similar Marks.** Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

E. **Payment of Sums Owed.** Franchisee and its Controlling Principals shall promptly pay all sums owing to Franchisor. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

F. **Payment of Damages, Costs and Expenses.** Franchisee and its Controlling Principals shall promptly pay to Franchisor all damages, costs and expenses, including reasonable attorney's fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Article 18.

G. **Delivery of Manuals and Materials; Retention of Business Records.** Franchisee shall immediately deliver to Franchisor all Manuals and other Confidential Information relating to the operation of the Restaurant upon termination or expiration of this Agreement. Franchisee shall keep and maintain all business records pertaining to the Franchised Business for five (5) years after the effective date of termination or expiration of this Agreement. During this period, Franchisee shall permit franchisor to inspect such records as Franchisor deems necessary.

H. **Non-Disclosure and Non-competition.** Franchisee and its Controlling Principals shall comply with the restrictions on Confidential Information contained in Article 10 of this Agreement and shall also comply with the non-competition covenants contained in Article 10. Any other person required to execute similar covenants pursuant to Article 10 shall also comply with such covenants.

I. **Advertising and Promotional Materials.** Franchisee shall immediately furnish Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks or any of Franchisor's distinctive markings, designs, labels, or other marks thereon, whether located on Franchisee's premises or under Franchisee's control at any other location. Franchisor shall have the right to inspect these materials. Franchisor shall have the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Franchisee's cost, or to require Franchisee to destroy and properly dispose of such materials. Materials not purchased by Franchisor pursuant to this Article shall not be utilized by Franchisee or any other party for any purpose unless authorized in writing by Franchisor.

J. **Automatic Assignment of Signs/Menu Boards.** Upon execution of this Agreement, in partial consideration of the rights granted hereunder, Franchisee acknowledges and agrees that all right, title and interest in the signs and menu boards used at the Restaurant are hereby assigned to Franchisor, and that upon termination or expiration of this Agreement, neither Franchisee nor any lien holder of Franchisee shall have any further interest therein.

K. **Assignment of Lease.** If Franchisee operates the Restaurant under a lease for the Restaurant premises with a third party or, with respect to any lease for equipment used in the operation of the Franchised Business, then, Franchisee shall, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Restaurant or any equipment related thereto. Franchisor may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Restaurant premises or does not have such option, Franchisee shall make such modifications or alterations to the Restaurant premises as are necessary to distinguish the appearance of the Restaurant from that of other Restaurants operating under the System and shall make such specific additional changes as Franchisor may reasonably request. If Franchisee fails or refuses to comply with the requirements of this Article 18.K, Franchisor, and its representatives or contractors, shall have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Notwithstanding the provisions of this Article 18K to the contrary, in the event the lease/sublease is assigned to Franchisor, Franchisor hereby agrees to indemnify and hold harmless Franchisee and any guarantors under said lease, for any breach by Franchisor or its successors or assigns from any liability arising out of the lease for the Restaurant premises from and after the date of the assignment of the lease.

L. Franchisor's Right to Purchase.

L.1 Except as provided in Articles 18.L, 18.J and 18.M, Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all furnishings, equipment (including any electronic cash register or computer hardware and software system), signs, fixtures, motor vehicles (including any food trucks), supplies, and inventory of Franchisee related to the operation of the Restaurant, at fair market value. Franchisor shall be purchasing Franchisee's assets only and shall be assuming no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefore and shall pay the remaining balance in cash.

L.2 In addition to the options described above and if Franchisee owns the Restaurant premises, then Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase the Restaurant premises including any buildings thereon, if applicable, for the fair market value of the land and building, and any or all of the furnishings, equipment, signs, fixtures, vehicles, supplies and inventory therein at fair market value. Franchisor shall purchase assets only and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If Franchisee does not own the land on which the Restaurant is operated and Franchisor exercises its option for an assignment of the lease, Franchisor may exercise this option for the purpose of purchasing the building if owned by Franchisee and related assets as described above. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers in accordance with the procedure set forth in Article 18.L.1, above.

L.3 With respect to the options described in Articles 18.K, 18.L.1 and 18.L.2, Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and governmental authorities. If, at the time of closing, Franchisee has not obtained all such documents, Franchisor may, in its sole and absolute discretion, place the purchase price in an escrow account pending receipt of any necessary documents.

L.4. The time for closing of the purchase and sale of the assets and/or properties described in Article 18.L.1 and 18.L.2 shall be a date not later than forty live (45) days after the purchase price is determined or the determination of the appraisers, or such date Franchisor receives and obtains all necessary documentation, whichever is later, unless the parties mutually agree to another date in writing. The time for closing on the assignment of any lease described in Article 18.K shall be a date no later than fifteen (15) days after Franchisor's exercise of its option thereunder unless Franchisor is exercising its options under either Article 18.L.1 or 18.L.2, in which case the date of the closing shall be on the same closing date prescribed for such option. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may mutually agree.

M. **Restaurant Assets.** Notwithstanding anything to the contrary contained in Articles 18.K or 18.L, if Franchisee operates the Restaurant from a premises that is subleased to Franchisee by Franchisor, upon termination (or expiration if Franchisee does not renew) of this Agreement, Franchisor shall have the right to take immediate possession of the assets of the Restaurant, including, any or all of the furnishings, equipment (including any electronic cash register or computer hardware and software systems), signs, fixtures, motor vehicles (including any food trucks), supplies, and inventory of Franchisee related to the operation of the Restaurant. Franchisor shall have a lien against all such assets in the amount of any sums due to Franchisor under this Agreement or any other agreement. Franchisor shall have the right to have such assets appraised at the lower of cost or fair market value of the used assets, and to acquire all right, title and interest to such assets, without conducting any public sale, by paying Franchisee (or to any lender of Franchisee who has a lienholder interest in the assets) the difference between the appraised value and the amounts owed to Franchisor by Franchisee at the time of termination. If the lien on the assets from Franchisee's lender has priority over any lien of Franchisor, and the amount of the lien is in excess of the appraised value of such assets, Franchisor shall have the right to deal directly with Franchisee's lienholder, and to pay any amounts due to Franchisee directly to the lienholder. Franchisee agrees to provide all further assurances, and to execute all documents required by Franchisor or by law to lawfully effect such transfer, and to perfect Franchisor's security interest. Franchisor shall have the right to take such action without the execution of any further documents by Franchisee if Franchisee fails or refuses to comply with these further assurances.

N. **Franchisor's Assignment of Options.** Franchisor shall be entitled to assign any and all of its options set forth in this Article 18 to any other party, without Franchisee's consent.

O. **Telephone Numbers, Yellow Page & Yelp Listings, Etc.** Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Restaurant and any related Yellow Pages trademark listings, Yelp listings or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time to transfer such service and numbers to Franchisor. Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, email addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

P. **Liquidated Damages.**

P.1 If Franchisor terminates this Agreement for cause, Franchisee must pay Franchisor liquidated damages equal to the average monthly Royalty Fees Franchisee paid (per month) to Franchisor during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) twenty-four (24) (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is higher.

P.2 The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from termination of this Agreement and the loss of cash flow for Royalty Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damage provision to be a reasonable, good faith estimate of such damages and not a penalty.

P.3 This liquidated damages provision only concerns Franchisor's damages with respect to the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee provisions. Franchisee and each of its Controlling Principals agree that the liquidated damages provision does not constituted an adequate remedy at law for any default under, or the enforcement of, any provision of this Agreement other than the Royalty Fee sections.

ARTICLE 19
DISPUTE RESOLUTION

A. **General.** Franchisor and Franchisee acknowledge that disputes or disagreements may arise during the Initial Term and any Renewal Term of this Agreement. Except as otherwise provided herein, Franchisor and Franchisee have elected to resolve such disputes or disagreements in a non-judicial alternative dispute resolution format ("ADR"). An ADR format minimizes the expense of dispute resolution and generally can be accomplished in a more expeditious and effective manner. By agreeing to an ADR format, both Franchisee and Franchisor are also waiving a number of rights, remedies and privileges which may arise in a judicial resolution format. In view, however, of the continuing relationship between Franchisee and Franchisor over the Initial and Renewal Term of this Agreement, both Franchisee and Franchisor agree that an ADR format is the most economical, efficient and practical way to resolve disputes and disagreements.

B. **Arbitration.**

B.1 Except as provided in Articles 19.C and 19.D of this Agreement and except as precluded by applicable law, any controversy or claim between Franchisor and Franchisee arising out of or relating to this Agreement, enforcement or interpretation of its terms, any alleged default hereunder, or the franchise relationship created hereunder, including any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration conducted before and in accordance with the Commercial Rules of the American Arbitration Association ("AAA"), by one arbitrator selected by Franchisor and Franchisee in accordance with said rules. Judgment upon any award rendered may be entered in any court having jurisdiction thereof. Franchisor and Franchisee agree: (i) that the hearing(s) shall be held in Sacramento County, California; (ii) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Franchisor, and not in any representative capacity, and shall not be joined or consolidated with claims asserted by or against any other franchisee or licensee; and (iii) the arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. This agreement shall be strictly construed in the arbitration hearing. In no event can the material provisions of this Agreement including, but not limited to the method of operation, authorized product line or monetary obligations specified in this Agreement, amendments to this Agreement, or in the Manuals be modified or changed by the arbitrator at the arbitration hearing. The arbitral decision shall be binding and conclusive on the parties. A judgment confirming the award may be given in any California court having jurisdiction, or that court may vacate, modify, or correct the award in accordance with the prevailing provisions of the California statutes governing arbitration.

B.2 Franchisor and Franchisee agree that this Agreement evidences a transaction involving interstate commerce and that the enforcement of this arbitration provision and the confirmation of any award issued to either party by reason of an arbitration conducted pursuant to this arbitration provision is governed by the Federal Arbitration Act, 9 U.S.C.A. §§ 1 et seq.

B.3 Unless prohibited by applicable law, any legal action or proceeding (including mediation or arbitration) brought or instituted by Franchisee with respect to any dispute arising from or related to this Agreement, any breach of the terms of this Agreement, or the relationship between the parties hereto must be brought or instituted within a period of one (1) year from the date of discovery of the conduct or event that is the basis of the legal action or proceeding. Franchisee agrees to be bound by the provisions of the limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisee further agrees that in connection with any arbitration proceeding conducted hereunder, Franchisee must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the federal rules of civil procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above shall be forever barred. If any party initiates an action or proceeding other than arbitration, and the other party successfully petitions to compel arbitration of that action or proceeding, then such party shall become immediately entitled to recover its attorneys' fees and costs from the initiating party as the prevailing party in that action or proceeding.

C. **Mediation.**

C.1 Notwithstanding anything to the contrary in Article 19.B of this Agreement, before either party may initiate any arbitration proceeding pursuant to Article 19.B, the parties must first attempt to first resolve the controversy or claim arising out of or relating to this Agreement pursuant to a neutral mediation conducted in accordance with the Commercial Mediation Rules of the AAA, unless the parties agree on alternative rules and a mediator within fifteen (15) days after either party first gives notice of mediation.

C.2 Either party may initiate the mediation proceeding by providing the other party with written demand for mediation. Should a party fail to serve notice of their demand before commencing any legal proceeding, the non-moving party may serve such demand for mediation. The notice shall describe with reasonable particularity the nature of the dispute and the relief sought. Upon receipt of any such notice or demand, both parties will be obligated to engage in the mediation in accordance with the terms of this Agreement.

C.3 Mediation shall be conducted in Sacramento County, California, or any other place to which the parties mutually agree, and shall be conducted and completed within sixty (60) days following the date either party first gives notice of a demand for mediation. The fees and expenses of the mediator shall be split equally by the parties.

C.4 The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the dispute and any related matter. 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.

D. **Exceptions to Arbitration/Mediation Requirement.** The arbitration and mediation provisions set forth in Articles 19.B and 19.C of this Agreement shall not apply to:

D.1 any claim by Franchisor seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding;

D.2 any action to protect the Marks or any claim or dispute involving or contesting the validity of any of the Marks;

D.3. any action involving monetary defaults of Franchisee, including Franchisee's obligation to pay Royalty, advertising and other fees to Franchisor, as to which Franchisor shall be free to utilize any right or remedy it may have at law or equity.

E. **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 or related to this Agreement or the franchise, the prevailing party in such arbitration, action or proceeding shall be entitled to recover from the other party all of his or their attorneys' fees and costs incurred in bringing or defending such arbitration, action or proceeding and/or enforcing any judgment granted therein as fixed by the court or arbitrator therein. If Franchisor incurs any costs or expenses in enforcing Franchisee's compliance with the terms of this Agreement, whether or not Franchisor initiates formal legal proceedings, then Franchisee agrees to reimburse Franchisor for all the costs and expenses incurred, including, without limitation, reasonable attorneys' fees.

Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorneys' fees and costs, separate from the judgment, incurred in enforcing such judgment. For purposes of this Article, attorneys' fees shall include, without limitation, 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 Article 19.E 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.

F. **Waiver of Jury Trial.** Franchisor and Franchisee hereby irrevocably waive trial by jury of any cause of action, claim, counterclaim, or cross-complaint in any action, proceeding, or hearing, whether at law or in equity, brought by either of them against the other on any matter whatsoever arising out of or in any way connected with this Agreement, any ancillary agreement, the relationship of Franchisor and Franchisee, the use of the Marks or the System, or any claim or injury or damage, or the enforcement of any remedy under any law, statue, regulation, emergency or otherwise now or hereafter in effect.

G. **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor, and the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any arbitration, mediation, judicial or other proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises exclusively under federal law, in which case the federal law shall govern.

H. **Consent to Jurisdiction.** Franchisee and its Controlling Principals agree that all actions arising under this Agreement, or arising out of the offer and sale of rights to operate the Franchise Business, or otherwise as a result of the relationship between Franchisor and Franchisee must be commenced in a state or federal court of competent jurisdiction within such state or judicial district in which Franchisor has its principal place of business at the time the action is commenced, and Franchisee and its Controlling Principals irrevocably submit to the jurisdiction of those courts and waive any objection to either jurisdiction of or venue in those courts. Nonetheless, Franchisee and its Controlling Principals agree that Franchisor may enforce this Agreement in the courts of the state or states in which Franchisee or its Controlling Principals are domiciled or the Franchised Business is located.

I. **Punitive and Exemplary Damages.** Franchisor and the undersigned each hereby agree to waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

J. **Survival.** The terms of this Article shall survive termination, expiration or cancellation of this Agreement.

ARTICLE 20
MISCELLANEOUS

A. **Notices.** Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited delivery service or certified or registered mail, return receipt requested, first class postage prepaid, or sent by overnight delivery service or facsimile to the respective parties at the addresses set forth on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party.

B. **Entire Agreement.** This Agreement, the attachments hereto, the Manuals and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof. 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, employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in any Disclosure Document for prospective franchisees required under applicable law, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified, amended or changed except by written agreement signed by all of the parties hereto.

C. **Waiver and Delay.** No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee or the Controlling Principals under this Agreement shall constitute a waiver by Franchisor to enforce *any* such right, option, duty or power against Franchisee or the Controlling Principals, or as to a subsequent breach or default by Franchisee or the Controlling Principals. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Controlling Principals of any terms, provisions, covenants or conditions of this Agreement.

D. **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.

E. **No Warranties.** Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which Franchisor would not otherwise be subject, by providing Franchisee any waiver, approval, advice, consent or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

F. **Successors and Assigns.** 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.

G. **Joint and Several Liability.** Without limiting the obligations individually undertaken by the Controlling Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Franchisee in this Agreement shall be deemed, joint and severally, undertaken by all of the Controlling Principals.

H. **Franchisor Approvals.** Whenever this Agreement requires the prior written consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing.

I. **Acceptance of Agreement.** This Agreement shall not become effective until signed by an authorized officer of Franchisor. Franchisee and its Controlling Principals and Franchisor acknowledge that execution of this Agreement and acceptance of the terms by the parties occurred in Sacramento County, California, and further acknowledge that the performance of certain Franchisee's obligations arising under this Agreement, including, but not limited to, the payment of monies due hereunder and the satisfaction of certain training requirements of Franchisor, shall occur in Sacramento County, California.

J. **Severability.** Except as expressly provided to the contrary herein, each article, portion, section, part, term and provision of this Agreement shall be considered severable. If for any reason, any article, portion, section, part, term or provision of this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other articles, portions, sections, parts, terms or provisions of this Agreement that remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid articles, portions, sections, parts, terms or provisions shall be deemed not to be a part of this Agreement; and there shall be automatically added such article, portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

K. **Principals.** The term Franchisee's "Principals" as used herein shall mean and refer to, collectively and individually: (1) Franchisee's spouse, if Franchisee is an individual; (2) all officers, directors, managers and general partners (or persons holding comparable positions in non-corporate entities) of Franchisee; and (3) all officers, directors, managers and general partners (or persons holding comparable positions in non-corporate entities) of any Controlling Principal that itself is an entity, in each case whom Franchisor designates as Franchisee's Principals and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. As used in this Article, the terms "control" and "controlling" shall mean the power to influence the management decisions of the specified person and shall in any case be deemed to exist where the second person holds ten percent (10%) or more of the total ownership interest in the specified person, serves on any board of directors or comparable body of such specified person or acts as an officer, general partner or manager thereof (or holds a comparable position in a non-corporate entity). Franchisee's initial Principals shall be listed on Attachment C. The term "Controlling Principals" as used herein shall mean and refer to, collectively and individually, any of Franchisee's Principals who has been designated by Franchisor as a Controlling Principal hereunder.

L. **References.** Each reference in this Agreement to a corporation or partnership shall be deemed to also refer to a limited liability company and any other entity or organization similar thereto.

Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto.

M. **Captions.** The captions used in connections with the Articles, sections and subsections of 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.

N. **Counterparts.** This Agreement may be executed in multiple 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.

O. **Rights and Remedies Cumulative.** The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

P. **Modification of the System.** Franchisee understands and acknowledges that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competition, demographics, populations, consumer trends, social trends and other marketplace factors, and if it is to best serve the interests of Franchisor, Franchisee and all other operators in the System. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System, including, without limitation, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons adding to, deleting from or modifying those products, programs and services which the Restaurant is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder, and changing, improving, modifying or substituting the Marks. Franchisee expressly agrees to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase Franchisee's obligations hereunder.

Franchisee shall accept, use and effectuate any such changes or modifications to, or substitutions of, the System as if they were part of the System at the time that this Agreement was executed.

Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the System modifications contemplated in this Article 20.P. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor complaining of any such modification or seeking expenses, losses or damages caused thereby. Franchisee additionally expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

Q. **Step-In Rights.** If Franchisor determines in its sole judgment that Franchisee's operation of the Restaurant is in jeopardy, or if a material default occurs hereunder, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby decrease its value, Franchisee authorizes Franchisor to operate the Restaurant for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have hereunder. In Franchisor's sole discretion, it may deem Franchisee incapable of operating the Franchised Business if, without limitation, Franchisee or its Controlling Principal(s) is absent or incapacitated by reason of illness or death; Franchisee has failed to pay any sums when due or failed to remove any and all liens or encumbrances of every kind placed upon or against the Franchised Business; or if Franchisor determines that operational problems require Franchisor to operate the Restaurant for a period of time necessary to maintain the operation of the business as a going concern.

Should Franchisor exercise its right to step in hereunder, it shall keep in a separate account all monies generated by the operation of the Restaurant, less the business expenses, including reasonable compensation and expenses for Franchisor's representatives. Additionally, Franchisee shall indemnify and hold Franchisor harmless for all actions occurring during the course of such temporary operation. Franchisee agrees to pay all Franchisor's reasonable attorneys' fees and costs incurred as a consequence of its exercise of these step-in rights. Nothing contained herein shall prevent Franchisor from exercising any other right or remedy which Franchisor may have under this Agreement, or at law or in equity.

ARTICLE 21
ACKNOWLEDGMENTS

A. **Franchisee's Acknowledgements.** Franchisee acknowledges, warrants and represents:

A.1 Franchisee has had the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, and the terms and provisions of this Agreement. Franchisee has been advised to consult its advisors (i.e. lawyers, accountants, consultants, etc.) with respect to the legal, financial and other aspects of this Agreement, the Restaurant, and the prospects for the Franchised Business. Franchisee has either consulted with these advisors or has deliberately declined to do so. Franchisor expressly disclaims making and Franchisee acknowledges that it has not received or relied upon any representation, warranty or guarantee, express or implied, concerning the anticipated future income, expenses, sales volume, earnings, profitability or potential success of the Restaurant.

Initials: ________________

A.2 Franchisee acknowledges that the success of the Restaurant involves substantial business risks and will largely depend upon the ability of Franchisee as an independent business operator, Franchisee's active participation in the daily affairs of the business, market conditions, area competition, availability of products, quality of services provided, the overall economic environment as well as other business factors.

Initials: ________________

A.3 Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Restaurant, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Restaurant and the implementation and maintenance of System standards at the Restaurant.

Initials:__________________

A.4 Franchisee acknowledges that Franchisee has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with its advisors about the potential benefits and risks of entering into this Agreement.

Initials: __________________

A.5 Franchisee acknowledges that it has received the Franchise Disclosure Document required by the Federal Trade Commission, together with a copy of all proposed agreements relating to the sale of this franchise at least fourteen (14) calendar days before the date on which this Agreement was executed or any payment was made to us or any of our affiliates . You acknowledge and agree that we have made no promises, representations, warranties or assurances to you which are inconsistent with the terms of this Agreement or our Franchise Disclosure Document concerning the profitability or likelihood of success of the Franchised Business, that you have been informed by us that there can be no guaranty of success in the Franchised Business, and that your business ability and aptitude is primary in determining your success.

Initials: __________________

CONTROLLING PRINCIPALS

Each of the undersigned acknowledges and agrees as follows:

1. Each of the undersigned has read the terms and conditions of the Franchise Agreement and acknowledges that the undertakings of the Controlling Principals in the Franchise Agreement are in partial consideration for, and a condition to, the granting of the franchise and this license, and that Franchisor would not have granted this license without the execution of this Agreement and a personal guaranty;

2. Each of the undersigned is included in the term "Controlling Principals" as described in Article 20.K of this Franchise Agreement;

3. Each of the undersigned individually, jointly and severally, makes all of the covenants, representations, warranties and agreements of the Controlling Principals set forth in the Franchise Agreement and is obligated to perform thereunder; and

4. Each of the undersigned shall execute the Guaranty set forth in Attachment G.

CONTROLLING PRINCIPALS:

By: ______________________________
Name: ______________________________

Date: ______________________________

By: ______________________________
Name: ______________________________

Date: ______________________________

By: ______________________________
Name: ______________________________

Date: ______________________________

By: ______________________________
Name: ______________________________

Date: ______________________________

ATTACHMENT A

1) **Restaurant Type:** Pursuant to Article 1.A of the Franchise Agreement, the Franchise granted under this Agreement shall be a [commercial center location/food truck].

2) **Accepted Location:** Pursuant to Article 1.B of the Franchise Agreement, the Restaurant shall be located at or within the following Accepted Location:

____
____
____

3) **Primary Area of Responsibility:** Pursuant to Article 1.E of the Franchise Agreement, the Restaurant shall be located at the following Primary Area of Responsibility:

____
____
____

ATTACHMENT B – Lease Addendum

ATTACHMENT C – Franchisee Capitalization Table

ATTACHMENT D - Confidentiality, Non-Disclosure and Non-Competition Agreement

ATTACHMENT E – ETF Authorization

ATTACHMENT F – Assignment and Power of Attorney

ATTACHMENT G – Guaranty

ATTACHMENT H – General Release of Claims

ATTACHMENT I – ADA Certification

Exhibit C

List of Franchisees Who Have Left The System

The name and last known city and state and telephone number for all franchisees that had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the more recently completed fiscal year or have not communicated with us within 10 weeks of the date of this disclosure document are listed below. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no franchisees that have had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or have not communicated with us within 10 weeks of the date of this disclosure document.

Exhibit D

General Release

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”), is dated as of this ____ day of ___________________, 20___, (the “Effective Date”) by and between Plumeria Enterprises LLC, a California limited liability company, having its principal place of business at 158 American River Canyon Drive, Folsom, CA 95630 (“Franchisor”), and ____________________, a ___________ ___________ whose principal address is ________________________________ (“Releasor”).

RECITALS

WHEREAS, Franchisor and Releasor have been parties to that certain Franchise Agreement, pursuant to which Releasor acquired from Franchisor, and Franchisor granted to Releasor, the right to operate a Kikai’s Chicken restaurant or food truck under a certain System and Marks in accordance with the terms and conditions of the Franchise Agreement (the “Franchise”); and

WHEREAS, as a condition to entering into a Renewal Franchise Agreement or consenting to a Transfer of the Franchise, Releasor is required to execute and deliver this General Release to confirm the absence of any claims by Releasor; and

NOW, THEREFORE, the undersigned hereby agrees as follows:

1. Release. Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of

indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Representation by Releasor. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or instituted against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Further Assurances. Releasor hereby agrees: (a) to furnish upon request such further information; (b) to execute and deliver such other documents; and (c) to do such other acts and things as may reasonably be requested for the purpose of carrying out the intent of this Release.

4. Modification. This Release may be modified only by a written instrument executed by Franchisor and Releasor.

5. Waiver. If any provision of this Release is held to be illegal, invalid or unenforceable under present or future laws in any jurisdiction, that provision shall be ineffective to the extent of such illegality, invalidity or unenforceability in that jurisdiction and such holding shall not, consistent with applicable law, invalidate or render unenforceable such provision in any other jurisdiction, and the legality, validity and enforceability of the remaining provisions of this Release shall not in any way be, affected or impaired thereby, and shall remain in full force and in effect in all jurisdictions.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have executed this Release effective as of the Effective Date.

Franchisor: Plumeria Enterprises LLC,
a California limited liability company

By:______________________________

Name:___________________________

Title:____________________________

Releasor:__________________________

By: _________________________________

Name:______________________________

Title:_______________________________

Exhibit E

Personal Guaranty

GUARANTEE OF PERFORMANCE

For value received, ________________________ located at ________________ ("**Guarantor**") absolutely and unconditionally guarantees the performance by _________________________, located at _________________________ ("**Franchisee**"), of all of the obligations of Franchisee under its Franchise Agreement with Plumeria Enterprises LLC, a California limited liability company ("**Franchisor**").

This guarantee continues until all obligations of Franchisee under the Franchise Agreement are satisfied. Guarantor is not discharged from liability if claim(s) under either the Franchise Registration or the Franchise Agreement remain outstanding.

Guarantor hereby 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 obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (4) any right Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

Guarantor hereby consents and agrees that: (1) Guarantor's direct and immediate liability under this guaranty shall be joint and several; (2) Guarantor shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; (4) such liability shall not be, diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement; and (5) that this guarantee is and shall be binding on Guarantor and on its successors and assignees.

The undersigned executes this guarantee at ______________________ on the ___________ day of ______________________________20 _____.

GUARANTOR:

____

Name:_________________________________

By: ___________________________________

Title: __________________________________

Exhibit F

CALIFORNIA ADDENDUM

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code Sections 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code Sections 20000-20043, the Kikai's Chicken Franchise Disclosure Document for use in the State of California is amended to include the following:

1. 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.

2. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

3. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101 et seq.).

4. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

5. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable

6. The Franchise Agreement requires binding arbitration. The arbitration will occur at Sacramento County, California with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

7. The Franchise Agreement requires application of the laws of California. This provision may not be enforceable under California law.

8. To the extent this Addendum is deemed to be inconsistent with the Disclosure Document, the terms of this Addendum shall govern.

[Signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Plumeria Enterprises LLC	Franchisee:__________________________
By:__________________________________	By: _________________________________
Name:________________________________	Name: ______________________________
Title:________________________________	Title: _______________________________

Exhibit G

Financial Statements

Plumeria Enterprises LLC
Profit & Loss
January 1 through August 27, 2025

	Jan 1 - Aug 27, 25
Ordinary Income/Expense	
Expense	
Bank Service Charges	24.00
Total Expense	24.00
Net Ordinary Income	-24.00
Net Income	**-24.00**

Plumeria Enterprises LLC
Balance Sheet
As of August 27, 2025

	Aug 27, 25
ASSETS	
Current Assets	
Checking/Savings	
Banner Bank 0833	11,464.25
Total Checking/Savings	11,464.25
Total Current Assets	11,464.25
TOTAL ASSETS	**11,464.25**
LIABILITIES & EQUITY	
Equity	
Retained Earnings	-8,511.75
Shareholder Distributions	20,000.00
Net Income	-24.00
Total Equity	11,464.25
TOTAL LIABILITIES & EQUITY	**11,464.25**

Exhibit H

List of Franchisees/Licensees

RESERVED

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

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

Exhibit I

Receipt

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 Plumeria Enterprises LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

If Plumeria Enterprises LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the California Department of Business Oversight.

The following persons are franchise sellers for Plumeria Enterprises LLC offering the franchise:

Name: Santiago Gonzalez

Principal Business Address: 158 American River Canyon Drive, Folsom, CA 95630

Telephone Number: 916-524-4488

The issuance date of this franchise agreement is:__________________

I acknowledge that I have received a disclosure document dated __________________with the following Exhibits:

Exhibit A	-	List of Administrators
Exhibit B	-	Franchise Agreement
Exhibit C	-	List of Franchisees Who Have Left The System
Exhibit D	-	General Release
Exhibit E	-	Personal Guaranty
Exhibit F	-	State Addendum
Exhibit G	-	Financial Statements
Exhibit H	-	List of Franchisees/Licensees
Exhibit I	-	Receipt

Please return this Receipt to Franchisor as soon as practicable after delivery to the following address:

158 American River Canyon Drive, Folsom, CA 95630

Receipt of this disclosure is hereby acknowledged by the undersigned.

PROSPECTIVE FRANCHISEE:

Date: ___________________

____

By: ____

Name: ______________________________________

Its: ____

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 Plumeria Enterprises LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

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158 American River Canyon Drive, Folsom, CA 95630

Receipt of this disclosure is hereby acknowledged by the undersigned.

PROSPECTIVE FRANCHISEE:

Date: ___________________

____

By: ____

Name: ______________________________________

Its: ____