

## **HOW YOU CAN RECEIVE OUR FRANCHISE DISCLOSURE DOCUMENT**

Our Franchise Disclosure Document is available in the formats listed below. We will choose the format in which we deliver the Franchise Disclosure Document to you from one of these alternatives.

Hard copy by personal delivery

Hard copy by overnight delivery

Electronic copy as a PDF by electronic mail. To receive and open the PDF, you must have a computer with an internet connection, an email address, Adobe Acrobat<sup>®</sup>, and a capacity of no less than 3 MB.

## FRANCHISE DISCLOSURE DOCUMENT

# MYUNGRANG

Myungrang America, LLC  
a California limited liability company  
~~20627~~ 22632 Golden Springs Dr. #2-G  
105 Diamond Bar CA ~~91789~~ 91765  
[www.myungrangamerica.com](http://www.myungrangamerica.com)

We offer subfranchises for the operation of Myungrang Korean Hot Dog Shops that sell our special menu of deep fried Korean style hot dogs on a stick with various fillings and toppings, are identified by the proprietary trade names “Myungrang Korean Hot Dog(s)” and “Myungrang Hot Dog(s)” and registered and unregistered trade and service marks including some that have a unique stylized logo, are equipped with our selection of hot dog preparation and sale fixtures and equipment, and use proprietary recipes, practices, methods, procedures, and techniques.

The total investment necessary to begin operation of a subfranchised Myungrang Shop if you lease the Myungrang Shop location, as we anticipate you will, is \$188,793 to \$517,068 if you have a kiosk location, \$194,993 to \$523,968 if you have a food court location, and \$195,843 to \$525,468 if you have a shop location. This includes \$49,490 to \$54,880 that must be paid to the subfranchisor to begin operation of a Myungrang Shop.

This disclosure document summarizes certain provisions of your subfranchise 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 subfranchisor or an affiliate in connection with the proposed subfranchise sale. **NOTE, HOWEVER, THAT NO GOVERNMENTAL AGENCY HAS VERIFIED THE INFORMATION CONTAINED IN THIS DOCUMENT.**

The terms of your contract will govern your subfranchise 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, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://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: ~~February 16, 2023~~ February 19, 2024

## How to Use This Franchise Disclosure Document

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

| <b>QUESTION</b>                                                                          | <b>WHERE TO FIND INFORMATION</b>                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | 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. |
| <b>How much will I need to invest?</b>                                                   | 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.                                                     |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit C includes financial statements. Review these statements carefully.                                                                                                                                                       |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                 |
| <b>Will my business be the only Myungrang Hot Dog business in my area?</b>               | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                         |
| <b>What's it like to be a Myungrang Hot Dog franchisee?</b>                              | Item 20 lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                           |
| <b>What else should I know?</b>                                                          | 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. Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

**3. Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

**MYUNGRANG KOREAN HOT DOG SHOP  
FRANCHISE DISCLOSURE DOCUMENT**

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

The subfranchisor is Myungrang America, LLC, a California limited liability company to which we refer as “we”, “us”, or “our”. “You” means the subfranchise purchaser; if the subfranchise purchaser is a corporation, partnership, limited liability company, or other entity, “you” includes every owner of the entity.

### The Subfranchisor, Its Predecessors, and Affiliates

We are a California limited liability company organized May 13, 2019. We have no predecessors, ~~parents~~, or affiliates. Our parents company is Myungrang Sidae Restaurant Youth Cooperative Association. Our principal business address is ~~20627~~ 22632 Golden Springs Dr. ~~#2-G~~ 105 Diamond Bar CA 91789~~65~~. We do business under the name Myungrang Korean style hot dogs and Myungrang Hot Dogs. Our agent for service of process is Andrew Joh.

We started our business in August 2019 when we entered into a Master Franchise Agreement with Myungrang Sidae Restaurant Youth Cooperative Association, a Korean cooperative association (“MS”) and began preparing to offer and sell subfranchises for Myungrang Shops. MS is not our parent or affiliate.

Andrew Foods, a California corporation owned by our Manager and member, Andrew Joh, has developed and is operating in Buena Park, California the first Myungrang Shop opened in America. On December 1, 2020, we entered into our standard form of Subfranchise Agreement with Andrew Foods amended to waive the initial franchise fee and royalties so long as Andrew Joh remains the sole owner of Andrew Foods, continues to operate the Buena Park Shop, is not in breach of the Subfranchise Agreement, continues to permit us to use the Buena Park Shop as our training facility and showcase facility for subfranchise sales. Andrew Foods is not our predecessor, parent, or affiliate company.

We began offering Myungrang Shop subfranchises on June 11, 2020. We have not offered franchises in other lines of business nor do we presently engage in any other businesses.

All but one of our members are officers and directors of our master franchisor, MS. MS has an exclusive license from its founder to use and sublicense to us the Myungrang Marks you will use in your subfranchised Myungrang Shop. MS owns and licenses to us the proprietary hot dog recipes and ingredients, hot dog preparation and hot dog shop operating methods, techniques, and procedures, and other intellectual property you will use in the operation of your subfranchised Myungrang Shop (collectively, the “IP”). You will purchase from the supplier we designate certain proprietary and nonproprietary ingredients, food products, and supplies you will use and sell in your subfranchised Myungrang Shop.

On July 20, 2018 MS entered into an agreement with Link Trading Korea, Inc., a Korean corporation (“LTK”) by which MS authorized LTK to preliminarily explore development of Myungrang Shops in the United States (the “Preliminary Agreement”). LTK is not a parent, predecessor, or affiliates of Myungrang America, LLC. Although the Preliminary Agreement expressly prohibited LTK from opening any Myungrang Shop without MS’s prior approval and did not authorize LTK to grant to any third party the right to develop or operate

a Myungrang Shop, LTK and one or more of its affiliates not only opened a Myungrang Shop in each of Doraville, Duluth, and Johns Creek, Georgia and Los Angeles, California but also purported to grant licenses to third parties to develop and operate Myungrang Shops in Garden Grove, Rowland Heights, San Diego, San Jose, and West Los Angeles, California; Honolulu, Hawaii; Las Vegas, Nevada; and Carrollton, Texas all without MS's knowledge or consent.

To put an end to Yoo's unauthorized activities MS also entered into a Settlement Agreement and Release with LTK and its affiliate pursuant to which LTK and its affiliate agreed not to purport to license or to themselves develop or operate any Myungrang Shop or any similar business, to take all steps necessary or required by any state regulator to cure the violations of and to comply with applicable laws.

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On July 15, 2019, MS and LTK executed a settlement agreement. Subsequently, Cupertino and Garden Grove shops have signed subfranchise agreement with Myungrang America, LLC. All three locations in Hawaii has de-identified as a Myungrang and ceased using the Myungrang marks and system. Two shops in Georgia have also de-identified as a Myungrang and ceased using the Myungrang marks and system. The shops in Texas and Nevada have also de-identified as a Myungrang and ceased using the Myungrang marks and system. The shops in San Jose, Rowland Heights, two shops in San Diego, a Koreatown shop in Los Angeles and Sawtelle shop in Los Angeles have all de-identified as a Myungrang and ceased using the Myungrang marks and system. A total of seven subfranchisees are operating under subfranchise agreements.

### **Myungrang Shop Subfranchisees**

We offer subfranchises for the development and operation of a freestanding shop (individually, a “shop location” and collectively, “shop locations”), food court stall (individually, a “food court location” and collectively, “food court locations”), or kiosk (individually, a “kiosk location” and collectively, “kiosk locations”) (each individually a “Myungrang Shop” and collectively “Myungrang Shops”) at a specified location. Each Myungrang Shop prepares to order and sells our specialty Korean style hot dogs, fillings, toppings, and sauces as well as a selection of beverages we specify.

A shop location will typically occupy between 700 and 1,500 square feet of space, a food court location will typically occupy between 500 and 1,300 square feet of space, and a kiosk location will typically occupy between 250 and 530 square feet of space, most often but not exclusively in a Korean specialty supermarket or in a food court or similar location. Every shop location will have seating space in the location and every food court location will have seating adjacent to the location, but kiosk locations will not have seating.

Myungrang Shops use the Myungrang Names and the trade and service mark Myungrang and a stylized logo, for both of which MS’s licensor has registration applications pending in the United States Patent and Trademark Office, as well as other not yet registered marks, commercial symbols, and identifiers we may designate at any time that are owned by MS’s licensor and sublicensed to us (all of which are included in the term “Myungrang Marks”). Myungrang Shops also use the unique methods and techniques for the development and operation of limited menu specialty shops serving freshly made Myungrang Korean style hot dogs and a select mix of other beverages products, including proprietary and select varieties of Korean style hot dogs, business management and operating methods and procedures MS developed during more than four years of operating experience in Korea and elsewhere in Asia, and proprietary training and quality maintenance procedures and standards, as well as other business operating, management,

accounting, and administration techniques and methods, all of which together we call the “Myungrang Method” and all of which are licensed to us by MS.

Myungrang America, LLC. covers the entire U.S., and there are no other subfranchisors.

## **The Market and Competition**

The market for the Korean style hot dogs you will sell at your Myungrang Shop is concentrated in, but not exclusive to, the Asian American and Asian communities. The Korean style hot dogs and other food products and beverages you will sell at your Myungrang Shop are not seasonal and appeal to people of all ages, but principally those with Asian backgrounds and tastes, from late morning throughout the rest of the day. Demand for some things you will sell, like hot or cold beverages, may fluctuate with the weather but those fluctuations may not be noticeable.

As Korean style hot dogs have grown in popularity in the United States, various shops specializing in their preparation and sale, some single independent shops and others part of multiunit operations, have begun to proliferate, particularly in neighborhoods with significant Korean American populations where you may want to locate your Myungrang Shop. We know that Paul Yoo is franchising Korean style hot dog businesses and have heard that another company intends to franchise Korean style hot dog businesses that would compete with your Myungrang Shop. There are also many, many retail facilities that prepare and sell hot dogs and similar food items that may compete with the market for Korean style hot dogs, some that are limited menu specialty stores like your Myungrang Shop will be and others that sell hot dogs along with a variety of other food products and goods (convenience stores, for example); some that are part of regional, national, and even international chains, and some locally owned, independently operated neighborhood shops. You will compete with all of those. As the market for Korean style hot dogs grows and develops, competition is likely to increase. You may also compete with Myungrang Hot Dog Shops owned by us, those owned by other subfranchisees, and those rebranded and converted shops owned by the Putative Licensees described above that have previously used the Myungrang Hot Dog Shop brand and proprietary products.

## Industry Laws

Many federal, state, county, and municipal laws that apply to all businesses will regulate your Myungrang Shop and its operation. On the federal level the generally applicable laws that may have the greatest impact on the development and operation of your Myungrang Shop include the Americans with Disabilities Act and particularly its accessibility requirements, the Clean Air Act provisions governing emissions from your Shop, the Payment Card Industry Data Security Standards and other consumer privacy laws, antidiscrimination laws, and the many laws affecting employees, including the Occupational Safety and Health Act, the Equal Employment Opportunity Act, the Affordable Care Act, and laws prohibiting sexual harassment. Many states have similar, and sometimes more stringent, laws like these.

There are also federal laws and laws in every state and many counties and municipalities that impose special requirements on food service businesses, including your Myungrang Shop. The federal laws that apply specifically to food service businesses include laws administered by the United States Federal Trade Commission, the United States Department of Agriculture, and the United States Food and Drug Administration (“FDA”). These laws and the regulations established by the agencies that administer them include requirements regarding food labeling, menu nutrition disclosures for food service businesses that meet or are part of a group that meets certain size thresholds, other calorie or nutritional content disclosures, and restrictions on health claims (for instance, saying a food item is “low fat”), among others. One example of those legal requirements is the Nutrition Labeling and Education Act that establishes requirements for food labeling that include nutritional label standards, nutrient content claims, and health claims that are detailed in the FDA’s Nutrition Labeling of Standard Menu Items in Restaurants and Similar Food Establishments.

It is common for states, counties, and cities to have specific laws about food safety, handling, storage, and preparation, food service facility sanitation, menu disclosures that require things like disclosure of ingredients and calorie content, and prohibitions on smoking. Some of these laws are similar to or even more stringent than the federal laws. For example, California requires food service facilities that meet specified criteria (including franchise systems with at least 20 outlets with the same name) to give nutritional information for standard menu items that includes the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium, as well as to have menu boards display the total number of calories.

Many county or city health departments, particularly those in California, inspect food service facilities to ensure compliance with safe food handling practices and adequacy of kitchen facilities and often require the facility to display the grade or rating it received. Some cities require a certified food handler to be present in the food service facility during operating hours. Local building and zoning regulations commonly control not only the general location of your Myungrang Shop but also details like venting smoke and trapping grease. If you choose a location that is not in a food court or mall, you must be especially careful about zoning and permitting laws.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Andrew Joh—Manager**

Mr. Joh has been our Manager since our formation on May 19, 2019. From February 2019 to the present, Mr. Joh has been the sole shareholder and director of Andrew Foods, a California corporation through which he operates the Buena Park Shop. Prior to that he was the general manager of 101 Sushi located in City of Industry, California from March 2018 to August 2018, the general manager of BBQ UP in City of Industry, California from September 2017 to March 2018, and the general manager of All that BBQ located in Arcadia, California from January 2015 until August 2017. From March 2012 to January 2015, Mr. Joh worked as a server at BCD Tofu House located in Irvine, California. Mr. Joh is based at our main office and the Buena Park Shop.

### **Yang Il Kim—Operations Manager**

Mr. Kim began working for us as our operations manager and in research and development in February 2020. On December 10, 2019, he began working at the Buena Park Shop as kitchen staff and continues to work there as needed. Mr. Kim spent November 2019 on vacation and looking for a new job opportunity and from May 2015 through October 2019 working as a sushi chef at Ginzaya Restaurant in La Mirada, California. Mr. Kim was unemployed between March 2015 and May 2015. Mr. Kim is based at our main office and at the Buena Park Shop as needed.

## **ITEM 3. LITIGATION**

There is no litigation that must be disclosed in this Item. On July 15, 2019, MS entered into a Settlement Agreement and Release with LTK and its affiliate pursuant to which LTK and its affiliate agreed not to purport to license or to themselves develop or operate any Myungrang Shop or any similar business. Both Myungrang Sidae Restaurant Youth Cooperative Association and Myungrang America LLC. have no pending litigation.

#### **ITEM 4. BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item. There are no bankruptcy matters to be disclosed for either Myungrang Sidae Restaurant Youth Cooperative Association or Myungrang America LLC.

#### **ITEM 5. INITIAL FEES**

##### **Initial Subfranchise Fee**

All subfranchisees must pay us a \$35,000 initial subfranchise fee in a lump sum when they sign the Subfranchise Agreement. This initial subfranchise fee will be \$30,000 for subsequent subfranchise stores. The subsequent franchise agreement must be signed by the same owner from the original store. The initial subfranchise fee is fully earned when paid. It is not refundable for any reason except (a) if you have not succeeded in obtaining a site for your Myungrang Shop that meets our minimum site requirements within 120 days after the date we deliver to you the Subfranchise Agreement signed on our behalf (the "Effective Date"), we may (but are not obligated to) terminate the Subfranchise Agreement by delivering notice of termination, or (b) if at any time during or upon completion of our initial training program we terminate your Subfranchise Agreement because we in our sole discretion conclude that you, your Owner-Operator, and/or your Shop Manager (each as defined in Item 15) cannot operate a Myungrang Shop to our satisfaction. If either of those occurs, we will refund all but \$2,000 of the initial subfranchise fee within five business days after you sign and deliver to us our form of General Release and Covenant Survival Acknowledgment.

##### **Security Deposit**

All subfranchisees must pay us a \$5,000 security deposit in a lump sum when they sign the first Subfranchise Agreement. This security deposit will be waived for the subsequent subfranchise stores. The subsequent franchise agreement must be signed by the same owner from the original store. If you do not comply with every provision of the Subfranchise Agreement or any other agreement between you and us or any of our affiliates, we may use the security deposit, or any portion of it, to cure the default or to compensate us or any of our affiliates for any and all damages or expenses incurred because of your default. We may also use the security deposit to pay any late charges, interest, penalties, or fees and any costs and charges due us or any of our affiliates for performing obligations that you do not perform and we or our affiliate are entitled to perform for you. If monies are owed to us or become due to us because of or on or after termination or expiration of the Subfranchise Agreement for any reason, we may use all or any part of the security deposit to pay those sums.

If we use any part of the security deposit before the end of the Subfranchise Agreement term, you must replenish it. If we terminate the Subfranchise Agreement because you do not locate a site that meets our site selection criteria within the time period required by the Subfranchise

Agreement or you do not successfully complete our training program, we will refund the entire security deposit you have paid us within 30 days after you sign and deliver our form of General Release and Covenant Survival Acknowledgment. If you are not in default in performance under the Subfranchise Agreement or any other agreement with us or any of our affiliates on the date the Subfranchise Agreement expires or is terminated for any other reason, we will return the remaining balance of the security deposit to you within 30 days after you sign and deliver our form of General Release and Covenant Survival Acknowledgment.

## Initial Inventory of Food Products, Ingredients, and Branded Paper Goods

Within five days after completing the build out of your Myungrang Shop, you must stock your Myungrang Shop with an initial inventory of goods purchased from us, including an initial supply of MS's proprietary hot dog powder, cheddar cheese sauce, cheese mustard sauce, breadcrumbs, bamboo sticks, hot dog inner bags and trays, and paper and plastic bags. The exact volume you purchase and the amount you pay us will depend on the size of your Myungrang Shop but we estimate you will pay us \$8,690 to \$13,180 for these items. The cost of these items is not refundable.

## Uniforms

Within five days after completing the build out of your Myungrang Shop, you must purchase from us an initial supply of the uniform items your employees are required to wear. These include branded t-shirts, caps, and aprons. The amount you pay us for these items varies depending on the amount purchased, which depends on the size of your Myungrang Shop. We estimate you will pay us \$600 to \$1,200 for an initial supply of uniform components. Payment is fully earned when made and is not refundable.

## Décor Item

Within five days after completing the build out of your Myungrang Shop you will purchase from us a decorative model hot dog you will display in your Myungrang Shop. You will pay us between \$200 and \$500 for this model hot dog. Payment is fully earned when made and is not refundable.

## ITEM 6. OTHER FEES<sup>1</sup>

| Type of Fee     | Amount                                                          | Date Due                                    | Remarks |
|-----------------|-----------------------------------------------------------------|---------------------------------------------|---------|
| Monthly Royalty | 4% of Gross Sales <sup>2</sup> during preceding calendar month. | 3 <sup>rd</sup> day of each calendar month. |         |

<sup>1</sup> All these payments are to us and are not refundable, both except as noted in the Remarks column or Notes.

<sup>2</sup> Gross Sales includes the gross selling price or barter value of all goods and services sold, delivered, or performed in or from your Myungrang Shop or using any of the Myungrang Names or Myungrang Marks, or any part of the Myungrang Method, whether payment is by cash, check, credit, credit card, debit card, PayPal or similar account, charge account, barter, or exchange, including (without limitation and

| Type of Fee                                                                                                                               | Amount                                                                                                                                                                                                                                                 | Date Due               | Remarks                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Branded or Proprietary Paper Goods and Food Packaging (including bamboo sticks, hot dog inner bags and trays, and paper and plastic bags) | Variable based on purchases but presently estimated to be between \$1,890 and \$3,280 per month depending on sales volume and market price. May increase in the future because the prices of paper and plastic goods are likely to increase over time. | Lump sum when ordered. | You must purchase the branded or proprietary paper and plastic goods, food packaging, and bamboo sticks you use in your Myungrang Shop from us.                                                                                                |
| Food products and ingredients                                                                                                             | Variable based on purchases but presently estimated to be between \$5,400 and \$9,900 per month depending on sales volume and market price.                                                                                                            | Lump sum as needed.    | You must purchase the proprietary hot dog powder, cheddar cheese sauce, cheese mustard sauce, and breadcrumbs you use in your Myungrang Shop from us.                                                                                          |
| Branded uniform components                                                                                                                | \$0 to \$100 as needed.                                                                                                                                                                                                                                | When ordered.          | You must purchase from us and resupply as needed logo t-shirts and caps and a branded apron all those working in your Myungrang Shop must wear as part of the Myungrang Shop uniform to create a standard market identity for Myungrang Shops. |

whether or not authorized or permitted under the Subfranchise Agreement) the gross amount received for orders taken, originated, accepted, or received elsewhere but filled at or from your Myungrang Shop and orders taken, originated, accepted, or received at your Myungrang Shop but filled, delivered, or performed elsewhere; less permitted refunds made to *bona fide* customers in good faith; amounts actually paid for sales or excise taxes that were added to the selling price of goods and collected from customers; redemption of gift cards; complimentary items provided to your paid employees, which cannot exceed the maximum amount permitted in the latest version of the Operational Manual; and sales of assets of the Myungrang Shop business other than inventory sold in the ordinary course of business. In case subfranchisee operates other unrelated business and sell licensed goods and/or services from the other licensors or franchisors and paying the royalty fee to other than Myungrang America, the royalty fee for Myungrang America will be calculated by the gross

sale from Myungrang Hot Dog only. You must submit the license agreement from other licensors or franchisors to Myungrang America for review purposes.

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| Type of Fee         | Amount                                                                                                                                                                        | Date Due                                                                                                                   | Remarks                                                                                                                                                                                                                                                    |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Marketing materials | \$0 to \$500 per month.                                                                                                                                                       | Lump sum when required.                                                                                                    | You must purchase from us any marketing materials we require periodically. The materials will be sent to you in a digital file and you will print or have printed the number of copies you need.                                                           |
| Branded merchandise | Variable based on purchases but presently estimated to be between \$0 and \$200 per month for approximately 10 to 15 units depending on sales volume and market price.        | When ordered.                                                                                                              | As and when we require, you must purchase from us and offer for sale at your Myungrang Shop a selection of branded merchandise that may include t-shirts, hats, aprons, cups, and other items.                                                             |
| Advertising Fund    | The amount we impose from time to time but not more than 2% of your Gross Revenue (as defined in the Subfranchise Agreement) for the prior calendar month and presently zero. | If imposed, 3 <sup>rd</sup> day of every calendar month beginning at least 30 days after delivering written notice to you. | We may at any time establish an Advertising Fund by delivering at least 30 days prior written notice to you. If imposed, Advertising Fund fees will be placed in a separate account, the details of which may be requested by subfranchisees. See Item 11. |

| Type of Fee             | Amount                                                    | Date Due                                   | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------|-----------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cooperative advertising | Set by a majority of the advertising cooperative members. | Determined by vote of cooperative members. | We may establish an advertising cooperative any time for any geographical area by giving you 30 days written notice. You must participate in any advertising cooperative for any area that includes your Myungrang Shop. See Item 11. Members of the cooperative set the fees, with the owner of each Myungrang Shop in the cooperative's geographical area, including those owned by us or our affiliates, having one vote for each Myungrang Shop it has in the cooperative's area. See Item 11. |

| Type of Fee                               | Amount                                                                                                                                                                                                                | Date Due                              | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Required or Requested Additional Training | Amount in the Fee Schedule; presently \$500 per day and \$2,500 for a complete training course plus the actual cost of travel and lodging for trainer but we may increase the daily charge at any time in any amount. | Five days before the training begins. | One month before the anticipated opening of your Myungrang Shop we provide without additional charge pre-opening training for two persons who must be you or your Owner-Operator, your Shop Manager, or kitchen staff. The charges described here apply if we determine your trainees require or you request additional initial training, we determine your Owner-Operator or your Shop Manager cannot operate a Myungrang Shop to our satisfaction and you are required to have us train a different Owner-Operator or Shop Manager, we determine at any time that one or more of your managerial employees requires additional training, you select a new Owner-Operator, hire a new Shop Manager, or we determine it is necessary to provide additional periodic training. Balance remaining after deducting our expenses refunded if you cancel no less than 48 hours before the training begins. See Item 11. |

| Type of Fee                                         | Amount                                                                                                                                                               | Date Due                                               | Remarks                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Required or Requested Additional Initial Assistance | Amount in the Fee Schedule; presently \$500 per day plus the actual cost of travel and lodging for trainer but we may increase the charge at any time in any amount. | Five days before additional assistance begins.         | We provide pre-opening assistance without additional charge as part of the initial training. The charges described here apply if we determine additional pre-opening assistance is necessary or you request additional pre-opening assistance. Balance remaining after deducting our expenses refunded if you cancel no less than 48 hours before the training begins. |
| Late Charge                                         | 10% of amount past due with \$50 minimum.                                                                                                                            | With late payment.                                     | Payable only if you do not pay when due.                                                                                                                                                                                                                                                                                                                               |
| Insufficient Funds Fee                              | Set forth in Fee Schedule, which is currently \$100.                                                                                                                 | With late payment.                                     | We will withdraw from your bank account royalties you owe us. If you do not have sufficient funds in your bank account for any withdrawal, you must pay us an insufficient funds fee.                                                                                                                                                                                  |
| Noncompliance Fee                                   | \$150.                                                                                                                                                               | Within five business days after receipt of an invoice. | If you do not comply with the requirements of your Subfranchise Agreement that we regard as quality control measures, you must pay a \$150 noncompliance fee.                                                                                                                                                                                                          |
| Nonperformance Assessment                           | 2% of Gross Revenue.                                                                                                                                                 | On demand.                                             | Payable for any period when you do not comply with certain operational requirements of the Subfranchise Agreement.                                                                                                                                                                                                                                                     |

| Type of Fee                                                       | Amount                                                                                                         | Date Due                                 | Remarks                                                                                                                                                                                                             |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit                                                             | Cost of audit, but not less than \$300.                                                                        | Within 15 days after receipt of invoice. | Payable only if we conduct an audit that shows you have understated Gross Revenue by more than 2%. This is in addition to required payment of any additional royalties or other fees an audit shows were underpaid. |
| Failure to Keep Records, Make Reports, or Provide Database Access | Royalties as determined plus costs of determination, but not less than \$150.                                  | On demand.                               | Payable only if you do not keep and deliver required records or provide required access to electronic database.                                                                                                     |
| Remedial Actions and Service Fee                                  | Charges we incur plus interest and 5% of cost of corrective action, which is variable, but not less than \$50. | On demand.                               | If you do not take certain actions required by the Subfranchise Agreement, we can take those actions and charge you the expenses we incur and a service fee.                                                        |
| Collection and Enforcement Costs                                  | Actual cost, which is variable.                                                                                | With payment for which incurred.         | Payable only if funds to be collected electronically are not available when due or if we incur costs to collect monies you owe and do not pay or to enforce any of your other obligations.                          |

| Type of Fee               | Amount                                                                                                                                                                                | Date Due                               | Remarks                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transfer Fee              | Amount in the Fee Schedule at time of transfer. Currently \$2,000 transfer application fee plus \$20,000 nonrefundable transfer fee but we may increase it at any time in any amount. | With request for approval of transfer. | Payable if you request approval of the transfer of the Subfranchise Agreement or the assets of the subfranchised business, or approval of a change in ownership of the subfranchisee entity (other than a transfer of ownership interests without permission as permitted by the Subfranchise Agreement). The fee is not refundable even if we do not approve the requested transfer. |
| Interim Manager Payments  | Currently \$300 per day but we may increase at any time in any amount. <sup>3</sup>                                                                                                   | See Note 3.                            | See Note 3.                                                                                                                                                                                                                                                                                                                                                                           |
| Attorneys' Fees and Costs | Actual cost, which is variable.                                                                                                                                                       | On demand.                             | Payable only if we use an attorney to collect money from you or otherwise enforce any provision of the Subfranchise Agreement or any other agreement with you.                                                                                                                                                                                                                        |
| Indemnification           | Variable.                                                                                                                                                                             | As incurred.                           | You must indemnify us and MS for all costs and expenses (including attorneys' fees) we or MS incur in connection with any claim arising out of or related to your Myungrang Shop or the subfranchised business.                                                                                                                                                                       |

| Type of Fee                        | Amount   | Date Due                                                                      | Remarks                                                                      |
|------------------------------------|----------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Subfranchise Agreement Renewal Fee | \$15,000 | At least 30 days prior to expiration of existing Subfranchise Agreement term. | Payable only if you choose to renew the term of your Subfranchise Agreement. |

<sup>3</sup> If you are an individual and you die or become disabled, if you are an entity and your Owner-Operator dies or becomes disabled, if your Shop Manager dies or becomes disabled, or if you are an entity and there is a deadlock among your owners, we may place a manager (who may be one of our employees) in your Myungrang Shop to operate it until you or your Owner-Operator is capable of resuming operation, you or your successor has hired a Shop Manager, your dispute has been resolved satisfactorily, or a transfer of your interest is completed as required by the Subfranchise Agreement, as the case may be. You or your successor must pay our charge for the manager and any travel, lodging, or living expenses.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| Type of Expenditure                                                                                      | Amount                                         | Method of Payment | When Due <sup>1</sup>                    | To Whom Payment Is to Be Made |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------|------------------------------------------|-------------------------------|
| Initial subfranchise fee <sup>2</sup>                                                                    | \$35,000                                       | Lump sum          | When you sign the Subfranchise Agreement | Us                            |
| Subsequent Subfranchise Agreement                                                                        | \$30,000                                       |                   |                                          |                               |
| Subfranchise Agreement security deposit <sup>2</sup>                                                     | \$5,000                                        | Lump sum          | When you sign the Subfranchise Agreement | Us                            |
| Subsequent Subfranchise Agreement                                                                        | N/A                                            |                   |                                          |                               |
| Real property lease security deposit and one month rent and common area maintenance charges <sup>3</sup> | \$8,000 to \$24,000 per month plus CAM charges | As arranged       | As required by landlord                  | Landlord                      |

| Type of Expenditure                 | Amount                |                      | Method of Payment                                   | When Due <sup>1</sup>                                                                   | To Whom Payment Is to Be Made                   |
|-------------------------------------|-----------------------|----------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------------------------|
| Leasehold Improvements <sup>4</sup> | \$60,000 to \$300,000 |                      | As arranged with architect, contractor, or landlord | As arranged with architect, contractor, or landlord                                     | Architect, contractor, or landlord <sup>4</sup> |
| Furniture <sup>5</sup>              | Kiosk                 | N/A                  | As arranged with vendor                             | As arranged with vendor                                                                 | Vendor                                          |
|                                     | Food Court            | N/A                  |                                                     |                                                                                         |                                                 |
|                                     | Shop                  | \$850 to \$1,500     |                                                     |                                                                                         |                                                 |
| Furnishings <sup>5</sup>            | \$2,128 to \$3,628    |                      | As arranged with vendor                             | As arranged with vendor                                                                 | Vendor                                          |
| Equipment <sup>5</sup>              | Kiosk                 | \$20,000 to \$25,000 | As arranged with designated vendor                  | As arranged with designated vendor                                                      | Vendor                                          |
|                                     | Food Court            | \$25,000 to \$30,000 |                                                     |                                                                                         |                                                 |
|                                     | Shop                  | \$25,000 to \$30,000 |                                                     |                                                                                         |                                                 |
| Small wares <sup>5</sup>            | Kiosk                 | \$600 to \$800       | As arranged with designated vendor                  | As arranged with designated vendor                                                      | Vendor                                          |
|                                     | Food Court            | \$600 to \$1,000     |                                                     |                                                                                         |                                                 |
|                                     | Shop                  | \$600 to \$1,000     |                                                     |                                                                                         |                                                 |
| Décor Item <sup>6</sup>             | \$200 to \$500        |                      | Lump sum                                            | When ordered but no later than 5 days after buildout of your Myungrang Shop is complete | Us                                              |

| Type of Expenditure                                                                                                                                                                  | Amount             | Method of Payment                                                     | When Due <sup>1</sup>                                                                                                             | To Whom Payment Is to Be Made                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Uniforms <sup>7</sup>                                                                                                                                                                | \$600 to \$1,200   | Lump sum                                                              | When ordered but no later than 5 days after buildout of your Myungrang Shop is complete                                           | Us                                                  |
| Computer, point of sale system, credit card processor, and two printers <sup>8</sup>                                                                                                 | \$1,200 to \$3,000 | As arranged with vendor                                               | As arranged with vendors                                                                                                          | Vendors; designated vendor for point of sale system |
| Opening inventory of nonproprietary food products, ingredients, and components, paper goods (including plates, cups with lids, napkins, and straws), utensils, and cleaning supplies | \$3,975 to \$7,060 | From us, lump sum. As arranged with vendors when ordered from others. | From us, when ordered but no later than 5 days after buildout of your Myungrang Shop is complete. As arranged with other vendors. | Us and/or designated vendors                        |
| Opening inventory of proprietary food products and ingredients (including hot dog powder, cheddar cheese sauce, cheese mustard sauce, and breadcrumbs)                               | \$6,400 to \$9,900 | Lump sum                                                              | When ordered but no later than 5 days after the buildout of your Myungrang Shop is complete                                       | Us                                                  |
| Branded or proprietary paper goods and food packaging (including bamboo sticks, hot dog inner bags and trays, and paper and plastic bags)                                            | \$2,290 to \$3,280 | Lump sum                                                              | When ordered but no later than 5 days after build out of your Myungrang Shop is complete                                          | Us                                                  |

| Type of Expenditure                                                         | Amount             |                    | Method of Payment                | When Due <sup>1</sup>   | To Whom Payment Is to Be Made                                                                              |
|-----------------------------------------------------------------------------|--------------------|--------------------|----------------------------------|-------------------------|------------------------------------------------------------------------------------------------------------|
| Two specified size Smart Televisions for digital menu displays <sup>9</sup> | \$2,500 to \$3,000 |                    | As arranged with vendor          | As arranged with vendor | Vendor                                                                                                     |
| Interior Signs                                                              | \$2,000 to \$5,000 |                    | As arranged with vendor          | As arranged with vendor | We will provide you with the design and you will purchase the required signs from a vendor of your choice. |
| Exterior Signs                                                              | Kiosk              | \$2,000 to \$3,000 | As arranged with vendor          | As arranged with vendor | Designated vendor                                                                                          |
|                                                                             | Food Court         | \$3,000 to \$4,500 |                                  |                         |                                                                                                            |
|                                                                             | Shop               | \$3,000 to \$4,500 |                                  |                         |                                                                                                            |
| Governmental permits and licenses                                           | \$1,500 to \$5,000 |                    | Lump sum                         | Upon application        | City, County, and/or State governmental entities and agencies                                              |
| Utility deposits                                                            | Kiosk              | \$1,500 to \$2,000 | As arranged with utility company | When account opened     | Utility companies                                                                                          |
|                                                                             | Food Court         | \$1,700 to \$2,200 |                                  |                         |                                                                                                            |
|                                                                             | Shop               | \$1,700 to \$2,200 |                                  |                         |                                                                                                            |

| Type of Expenditure                                                  |                     | Amount                 | Method of Payment | When Due <sup>1</sup>  | To Whom Payment Is to Be Made                                                                                     |
|----------------------------------------------------------------------|---------------------|------------------------|-------------------|------------------------|-------------------------------------------------------------------------------------------------------------------|
| Insurance premiums                                                   |                     | \$400 to \$700         | Lump sum          | As required by carrier | Carrier                                                                                                           |
| Training period payroll and travel and living expenses <sup>10</sup> |                     | \$500 to \$10,000      | Variable          | As arranged            | Trainees, airlines, gasoline stations, lodging facilities, restaurants, car rental agencies, and other providers. |
| Opening advertising and promotion                                    |                     | \$1,000 to \$5,000     | As arranged       | As arranged            | Vendors                                                                                                           |
| Legal and accounting fees                                            |                     | \$2,000 to \$5,000     | As arranged       | As arranged            | Lawyer or Accountant                                                                                              |
| Additional funds - 3 months <sup>11</sup>                            |                     | \$30,000 to \$60,000   | As required       | As required            | Employees, suppliers, utilities                                                                                   |
| Total                                                                | Kiosk location      | \$188,793 to \$517,068 |                   |                        |                                                                                                                   |
|                                                                      | Food court location | \$194,993 to \$523,968 |                   |                        |                                                                                                                   |
|                                                                      | Shop location       | \$195,843 to \$525,468 |                   |                        |                                                                                                                   |

<sup>1</sup> We do not finance any fee or payment. None of these payments is refundable except, if you sign and deliver our form of General Release and Covenant Survival Acknowledgment, (a) after termination or expiration of the Subfranchise Agreement we will refund any balance of the security deposit remaining after permitted deductions and offsets and (b) (i) if you have not succeeded in obtaining a site for your Myungrang Shop that meets our minimum site requirements within 120 days after the Effective Date, we may (but are not obligated to) terminate the Subfranchise Agreement by delivering notice of termination, or (ii) if after you, your Owner-Operator, and/or your Shop Manager complete our initial training program we terminate your Subfranchise Agreement because we determine that you, your Owner-Operator, and/or your Shop Manager cannot operate a Myungrang Shop to our satisfaction we will refund to you all but \$2,000 of the initial subfranchise fee you have paid us.

<sup>2</sup> The initial subfranchise fee is not refundable for any reason except (a) if you have not succeeded in obtaining a site for your Myungrang Shop that meets our minimum site requirements within 120 days after the Effective Date, we may (but are not obligated to) terminate the Subfranchise Agreement by delivering notice of termination, or (b) if at any time during or upon completion of our initial training program we terminate your Subfranchise Agreement because we in our sole discretion conclude that you, your Owner-Operator, and/or your Shop Manager cannot operate a Myungrang Shop to our satisfaction. If either of those occurs, we will refund all but \$2,000 of the initial subfranchise fee within five business days after you sign and deliver to us our form of General Release and Covenant Survival Acknowledgment. If we terminate the Subfranchise Agreement as described above, we will refund the entire security deposit you have paid us within 30 days after you sign and deliver our form of General Release and Covenant Survival Acknowledgment. If you are not in default in performance under the Subfranchise Agreement or any other agreement with us or any of our affiliates on the date the Subfranchise Agreement expires or is terminated for any other reason, we will return any balance of the security deposit remaining after permitted deductions and offsets to you within 30 days after you sign and deliver our form of General Release and Covenant Survival Acknowledgment.

<sup>3</sup> We assume you will lease the location where you operate your Myungrang Shop. The typical shop location has between 700 and 1,500 square feet of total space, a food court location has between 500 and 1,300 square feet of total space, and a kiosk location has between 250 and 530 square feet of total space, including a front counter and customer order and service areas, a product preparation area with equipment and counters, and backroom storage space. A shop location will also have customer seating and tables. Rent is estimated to be between \$4,000 and \$12,000 per month and common area maintenance charges are estimated to be \$1.70 to \$3 per square foot, depending on various factors, including, size, condition, and location of the leased premises. Landlords usually require payment at the time a lease is signed of a security deposit equal to one month rent and prepayment of the first month rent. Sometimes the landlord will do construction or remodeling work to prepare the space for you, but then the landlord often requires payment of an additional security deposit equal to a month or two of rent at the time a lease is signed and sometimes then allows one or two months rent free. See Item 11 for additional site information.

<sup>4</sup> You must have plans for the build out of your Myungrang Shop prepared by a licensed architect of your choice, obtain our approval of the plans, and then have your Myungrang Shop built out, improved, equipped, furnished, and branded to our requirements by a licensed contractor. We assume you will lease space in a retail location, shopping center or mall (usually in the food court), or inside a Korean market. The cost is widely variable based not only on the extent of the work required for the space you select but also the size and geographical location of your Myungrang Shop; for instance, a 1,000 square foot Myungrang Shop located in a major city will be more expensive to improve as required than will a Myungrang Shop in a small rural area. A typical Myungrang Shop location will be either (a) a vanilla shell (raw commercial space with a concrete floor and utility lines stubbed out, ready to finish) that will require build out with wall board, windows and doors, drop ceiling, lighting, plumbing and gas lines and fixtures, electrical wiring and outlets, and floor and wall coverings, and installation of counters, cabinets, furnishings, and equipment, or (b) existing food service space that requires remodeling that may include installation of counters, cabinets, furnishings, and equipment required for a Myungrang Shop. As mentioned in Note 2, a landlord may do the construction or remodeling work to prepare the space for you or advance the money for that work, adding the cost to the monthly rent.

<sup>5</sup> You must equip your Myungrang Shop with all the furniture, furnishings, equipment, and small wares we specify and place them in the locations in your Myungrang Shop shown in the plans we have approved. If you have a shop location, we will provide you with the specifications for the furniture you must obtain and you may purchase it from any vendor you choose; food court locations and kiosk locations do not require furniture. We will provide specifications for the furnishings you will need to obtain but you can purchase them from any vendor. You must purchase and install all the equipment we designate from the supplier we designate. We will provide you with a list of specifications for the small wares and you must purchase from the supplier we designate.

<sup>6</sup> You must purchase from us and display in your Myungrang Shop a model hot dog.

<sup>7</sup> To maintain and enhance brand identity and continuity, personnel working in your Myungrang Shop must wear a uniform that includes an apron, t-shirt, and cap that display the Myungrang logo. You will purchase an initial supply of uniform components from us.

<sup>8</sup> You must equip the front counter in your Myungrang Shop with one computer that has a cash drawer attached to it and is capable of running the point of sale system we designate, a credit card reader, and a printer. You must have a second printer in your kitchen that is connected to the front counter computer.

<sup>9</sup> You must purchase and install in locations shown in the plans we have approved two smart television screens with the specifications we require to be used for the digital menu display. You will pay the vendor directly for the consumer or commercial televisions of your choice.

<sup>10</sup> The number of people you train, whether you need to provide food, lodging, and transportation for them during training, and the distance they must travel are among the factors that will affect your training travel, lodging, and related expenses. You must also pay wages and related payroll expenses for your trainees during training. See Item 11 for additional information.

<sup>11</sup> This is an estimate of the funds you will need for operating expenses during the first three months after you open your Myungrang Shop. Those expenses include payroll, utilities, taxes, rent, inventory, and similar costs. This figure does not include any salary for you, even if you work in the business.. The exact amount of your costs will depend on a variety of factors, including your business acumen and skill; technical, management, budgeting, and general business capability; local economic conditions; competition in your local area; the local market for the food items you will sell at your Myungrang Shop; the required minimum or prevailing wages in your area; the availability and cost of competent help and the extent to which you hire employees; other operating costs in your local area; and the volume of sales you reach during the initial operating period, which depend in part on your marketing skill and how much you spend on advertising and promotion. These figures are only estimates. We used MS's experience with its supplies for shops in Korea, information from our suppliers, and a limited amount of information available from the Buena Park Shop development and initial operations to compile these estimates.

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

You must develop and operate your Myungrang Shop as required by our operating guidelines and procedures and using all the elements of the Myungrang Method that you will learn during training and have in the Operational Manual for Franchisees of Myungrang America, LLC (the

“Operational Manual”) and the Recipe Manual for Myungrang Hot Dogs (the “Recipe Manual”).

### **Your Myungrang Shop Location and Lease**

Your Myungrang Shop must be operated from a location that meets our site selection criteria. You must build out and/or remodel your Myungrang Shop and equip, furnish, and brand it as we require.

You may either own, lease, or purchase the premises for your Myungrang Shop but most subfranchisees lease a location. If you lease the premises for your Myungrang Shop, the lease must be for a term of at least five years with at least one five year renewal right and must give us the rights specified in Section 4.2 of your Subfranchise Agreement.

### **Your Myungrang Shop Architect**

To assure that the layout of your Myungrang Shop fulfills all requirements, you must engage a licensed architect to prepare the plans and specifications for your Myungrang Shop. Because design is a central element of the functionality of your Myungrang Shop you must submit any plans to us for approval and we will respond no more than four weeks after receipt.

### **Your Myungrang Shop Layout, Improvements, and Features**

The layout and physical features of your Myungrang Shop must comply with our specifications and the plans the architect prepares and incorporate all the elements of the Myungrang Method as we require. You must install in your Myungrang Shop the furniture, furnishings, and equipment we require, as described below. You must obtain from us and display the hot dog model described in Item 5. You must install the interior signs and have a qualified sign company install the exterior signs we require. You must maintain the required appearance at all times and cannot alter it in any way without our prior written permission, which we may withhold in our own complete discretion.

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## **Contractor**

You must use a licensed contractor to build out your Myungrang Shop and install all the required furnishings and equipment.

## **Furniture, Furnishings, Equipment, Small Wares**

You must install and use in your Myungrang Shop all the furniture, furnishings, equipment, and small wares we specify and only those furniture, furnishings, equipment, and small wares. After you have selected a location that meets our criteria, we will give you a list of all the required furniture, furnishings, equipment, and small wares. If you have a shop location, we will provide you with the specifications for the furniture you must obtain, which you may purchase from any vendor you choose. We will provide specifications for the furnishings you will need to obtain but you can purchase them from any vendor. You must purchase and install all the equipment we designate from the supplier we designate. We will provide you with a list of specifications for the small wares which you must purchase from the supplier we designate.

We may at any time add items to the food or beverage items you are required to carry in your Myungrang Shop. If any item we add requires a new piece of equipment and/or one or more new small wares, you must acquire that equipment and/or the small wares.

## **Computer and Point of Sale System**

You must purchase and use at the front counter of your Myungrang Shop one computer that has a cash drawer attached to it and is capable of running the point of sale system we designate, a credit card reader, and a printer. You must purchase and install a second printer in your kitchen that is connected to the front counter computer. You will pay a monthly maintenance fee directly to the point of sale system provider. See Item 11 for additional information.

We can access your computer, the point of sale system, and any other electronic equipment or devices we require you to install and use in your Myungrang Shop or for your Myungrang Hot Dog business, and all the software and data on any of them at any time. All the data produced by or on your computer or the point of sale system or any other electronic equipment or devices you use in the operation of your Myungrang Shop belongs to us and we may use it in any way we choose at any time.

## **Exterior and Interior Signs**

We will give you our proprietary sign design and content criteria and tell you how many signs you must have on or in your Myungrang Shop and where they must be located. You will purchase the required interior signs from a vendor of your choice and pay that vendor directly. You will obtain the necessary sign permits for the exterior signs and then place an order with our designated exterior sign vendor for production of the signs, for which you will pay the vendor directly. You must have the completed signs installed on or in your Myungrang Shop in the locations we have designated.

## **Digital Menu Displays**

You must purchase from a vendor you select and install in your Myungrang Shop in locations we designate at least two smart television screens with the dimensions we require that you will

use for digital menu display. The screens may be consumer or commercial television screens. When you have installed the screens (which you must do before you open the Myungrang Shop for business), we will give you a PDF with our proprietary menu content that you must display on the screens.

### **Ingredients, Food Items, and Containers**

You must carry and offer for sale at your Myungrang Shop the full assortment of Myungrang Hot Dogs and the hot and cold beverages we include on the Myungrang Shop menu, which we may change as we deem appropriate, and only those items. You must purchase from ~~a vendor we designate (who may be us)~~ us the proprietary hot dog powder, cheddar cheese sauce, cheese mustard sauce, and breadcrumbs. You must purchase from ~~a vendor we designate (who may be us)~~ us the proprietary bamboo sticks, hot dog inner bags and trays, and branded paper and plastic bags you must use to serve our proprietary Myungrang Hot Dogs from us. We may add more proprietary items in the future and require that you purchase those items from us ~~or a vendor we designate, who may be us.~~

You must purchase the sausages, frozen potatoes, cheese, soy oil, potato fry sweet, sugar, yeast, hot chili sauce, and condiments that you must use to make our proprietary Myungrang Hot Dogs from a vendor ~~we designate~~ you choose. ~~You must purchase the brand of squid ink that we designate but may do so from any vendor from whom it is available.~~

You must prepare the Myungrang Hot Dogs and all other food items as we instruct, using the ingredients, methods, and techniques we designate. You must maintain an adequate stock of the items you need to offer and sell the full complement of Myungrang Shop menu items at all times.

~~No vendors or suppliers are the Myungrang America, LLC or its affiliates. Sysco is the vendor we designate. The items must be purchased from Sysco include cheese, sausage, sugar, ketchup, sweet potato, and potato.~~

### **~~Other Goods~~**

~~We may at any time add other goods you are required to use or carry and may require that some or all of them display any logo and/or other branding we designate and/or be obtained from vendors we designate, who may be our affiliate.~~

### **Procedures, Processes, Methods, Practices, and Recipes**

You must prepare all Myungrang menu items to our standards. We will give you our Operational Manual and Recipe Manual that include the procedures, processes, methods, practices, and recipes to which you must adhere in the operation of your Myungrang Shop. As part of the Operational Manual you will receive forms you will use in the operation of your Myungrang Shop. We may give you access to parts of the Operational Manual and Recipe Manual in phases matching your progress toward opening your Shop. You must operate your Myungrang Shop as instructed in the Operational Manual and adhere to the recipes in the Recipe Manual as we require.

### **Uniforms**

To promote brand identity and consistency, you must purchase from us the branded uniform

components your employees are required to wear while working in your Myungrang Shop. The uniform components include a branded logo cap, t-shirt, and apron.

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## **Branded Merchandise**

You must purchase from us or a supplier we designate, who may be our affiliate, and sell at your Myungrang Shop branded t-shirts, caps, mugs, pens, and other promotional items.

## **Promotional and Point of Purchase Materials**

All marketing or promotional materials you use at or for your Myungrang Shop must be obtained from us. We will send you digital files for you to print or have printed to produce those materials. The materials will include promotional and point of purchase materials, which may include posters, flyers, and table tents. You must replace any promotional material that is worn or damaged so that the promotional material you display is always of top quality.

## **Participation in Promotional and Advertising Campaigns**

We may require you to display at your Myungrang Shop advertising material we specify, which we may change at any time. We may require you to participate in any System-wide advertising campaigns, programs, contests, drawings, and other promotional events or activities, unless applicable law prevents you from participating. We may either designate a vendor for the materials in those campaigns from whom you must acquire the required materials (which may be us or our affiliate) or give you templates you must use to have the materials prepared by a vendor you select, but the quality of those materials must be approved by us.

## **Wi-Fi Connection**

You must provide a free wi-fi connection for use by customers.

## **Telephone Landline and Listings**

You must have one primary voice telephone landline or equivalent devoted only to your Myungrang Shop and list that number in all telephone directories in your geographical area and in all your local advertising. The telephone listings must identify your Myungrang Shop as a Myungrang America, LLC subfranchise. You must assign all telephone numbers you use for the Myungrang Shop to us upon expiration, termination, or cancellation of your Subfranchise Agreement.

## **Cable/ISDN Line**

You must have at least one cable or ISDN line in your Myungrang Shop.

## **Insurance**

You must carry commercial general liability insurance with a liability limit of not less than \$1,000,000 per occurrence/\$2,000,000 aggregate, insuring against all liability of you and your agents and employees arising out of or in connection with the operation of your Myungrang Shop or use of the subfranchise location, including all damage from signs, glass, fixtures, equipment, or other appurtenances situated in or on the subfranchise location now or at any later date.

You must also carry an umbrella insurance policy with limits of \$1,000,000 per occurrence/\$5,000,000 aggregate. We may change the amounts and the required coverages at any time.

You must name us an additional named insured on the insurance coverage other than worker's compensation insurance and your general liability coverage must include General Commercial Liability Endorsement CG 20 29 04 13 - Additional Insured - Grantor of Franchise.

### **Revenue from Subfranchisee Purchases**

The purchases and payments described in this Item will be 59% to 77% of your total purchases in establishing your Myungrang Shop and 100% of your total purchases during your operation of your Myungrang Shop subfranchise.

In 2022, the revenue received by Myungrang America, LLC. via purchases by franchisees is \$371,577, which is approximately 66% of Myungrang America, LLC's total revenue in 2022. There were no unit franchise rebates received by MS or Myungrang America, LLC. on required purchases made by subfranchisees.

### **Negotiated Supplier Sales Terms**

We do not currently but may decide to negotiate price terms, rebates, and/or promotional allowances or similar agreements from suppliers or manufacturers from whom you are required or permitted to purchase goods and we or one or more of our affiliates may receive payments from some of those vendors based on your purchases. Rebates are typically based on the volume of purchases made by subfranchisees who purchase products from the supplier or manufacturer. We are not obligated to and may or may not share with you all or any part of rebates or promotional allowances paid to us. If a manufacturer's rebate that we share with you is conditioned on compliance with requirements imposed by the manufacturer, you must comply with those requirements for us to pass through to you any rebates we choose to pass through to subfranchisees.

### **Supplier Approval**

We pick suppliers and brands based on our subjective judgment about the quality, taste, and/or appearance of the goods and/or our evaluation of the supplier's ability to supply goods in the quantity and at the time our subfranchisees require them. Our proprietary products are presently produced only by a supplier we designate and are sold and distributed only by us, our affiliate, or the suppliers we have selected. We will change designated suppliers, modify specifications, and grant or revoke approval for suppliers by issuing revised specification sheets or approval lists for the Operational Manual. You do not have the right to propose any suppliers, vendors, or distributors other than those we designate or approve.

### **Cooperatives and Other Benefits**

Currently there are no purchasing or distribution cooperatives for our subfranchisees. We do not provide any material benefits to you based on use of designated or approved sources.

## ITEM 9. FRANCHISEE'S OBLIGATIONS

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

| Obligation                                                                      | Sections in the Subfranchise Agreement     | Franchise Disclosure Document Item |
|---------------------------------------------------------------------------------|--------------------------------------------|------------------------------------|
| a. Site selection and acquisition/lease                                         | Article 4                                  | Items 7, 11, and 12                |
| b. Pre-opening purchases/leases                                                 | Articles 5 and 6                           | Items 7, 8, and 11                 |
| c. Site development and other pre-opening requirements                          | Articles 4 and 5                           | Items 7 and 11                     |
| d. Initial and ongoing training                                                 | Article 7                                  | Item 11                            |
| e. Opening                                                                      | Article 9                                  | Item 11                            |
| f. Fees                                                                         | Articles 3 21, 29, and 30; Section 8.1     | Items 5 and 6                      |
| g. Compliance with standards and policies/ Operational Manual and Recipe Manual | Article 8                                  | Items 8, 11, and 16                |
| h. Trademarks and proprietary information                                       | Articles 1 and 8                           | Items 13 and 14                    |
| i. Restrictions on products/services offered                                    | Article 10; Section 1.3                    | Item 16                            |
| j. Warranty and customer service requirements                                   | Sections 14.9 and 16.3                     | Item 11                            |
| k. Territorial development and sales quotas                                     | Section 1.2                                | Item 12                            |
| l. Ongoing product/service purchases                                            | Article 10                                 | Item 8                             |
| m. Maintenance, appearance and remodeling requirements                          | Articles 5 and 11; Sections 12.3 and 14.10 | Item 11                            |
| n. Insurance                                                                    | Article 17                                 | Items 7 and 8                      |
| o. Advertising                                                                  | Article 14                                 | Items 7, 8, and 11                 |
| p. Indemnification                                                              | Article 18                                 | Item 6                             |
| q. Owner's participation/management/staffing                                    | Articles 7 and 15                          | Items 11 and 15                    |
| r. Records and reports                                                          | Article 12                                 | Item 6                             |

| Obligation                                                                                           | Sections in the Subfranchise Agreement            | Franchise Disclosure Document Item |
|------------------------------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------|
| s. Inspections and audits                                                                            | Sections 12.6, 12.7, 12.9, and 16.1               | Items 6 and 11                     |
| t. Transfer                                                                                          | Articles 20, 21, and 22                           | Items 6 and 17                     |
| u. Renewal                                                                                           | Section 2.2                                       | Item 17                            |
| v. Post-termination obligations                                                                      | Articles 26 and 27; Section 32.8                  | Item 17                            |
| w. Non-competition covenants <sup>1</sup>                                                            | Article 13                                        | Item 17                            |
| x. Dispute resolution                                                                                | Article 30; Sections 32.7, 32.9, 32.10, and 32.11 | Item 17                            |
| y. Assumption and guarantee of subfranchisee's obligations, assignment of inventions and innovations |                                                   | Item 14                            |

Note 1: Each individual who owns an interest in a subfranchisee business entity must sign an agreement not to compete, assuming and agreeing to perform all the subfranchisee's obligations under the Subfranchise Agreement, and assigning to us all inventions, improvements, or innovations he or she develops that relate to the Myungrang Shop or products sold in it while the entity in which he or she has an interest is operating a Myungrang Shop (Exhibit E).

## ITEM 10. FINANCING

We do not provide any financing of any of the fees or costs of purchasing, developing, or operating a Myungrang Hot Dog subfranchise. We do not guaranty your lease or any other obligation you incur.

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

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

### Pre-Opening Assistance

Before you open your Myungrang Shop, we will:

1. Review the location you select to confirm that it fulfills our basic site selection criteria. (Subfranchise Agreement, Article 4);
2. Review any lease of the location you select to confirm that it fulfills the requirements of the Subfranchise Agreement. (Subfranchise Agreement, Article 4);

3. Review the layout, plans, and specifications you have had a licensed architect prepare for building out the subfranchise location and notify you in no more than four weeks after we receive the plans whether they meet our requirements. (Subfranchise Agreement, Article 5);
4. Train two of your personnel, who must be you or an Owner-Operator, your Shop Manager (who may be you or an Owner-Operator), and a member of the kitchen staff, all of whom have signed our Nondisclosure Agreement. (Subfranchise Agreement, Article 7). See below for details about the initial training;
5. Add your Myungrang Shop to the list on our Website as defined below. (Subfranchise Agreement, Section 14.4B);
6. Give you one copy of our Operational Manual and one copy of our Recipe Manual. The Operational Manual contains mandatory and suggested practices, standards, procedures, processes and methods, and directions you must use in the operation and management of your Myungrang Shop. The Recipe Manual contains the recipes you must use to prepare Myungrang Hot Dogs. (Subfranchise Agreement, Article 8) The Operational Manual and Recipe Manual contain our most highly confidential, proprietary, and trade secret information and remains our property. You cannot make copies, permit access to, or disclose contents of either of them to any persons except as expressly permitted by your Subfranchise Agreement. When your Subfranchise Agreement expires or is cancelled or terminated or you leave the Myungrang Shop System for any other reason, you must return to us all copies of the Operational Manual and Recipe Manual. As of the date of this Franchise Disclosure Document, the Operational Manual contains 43 pages and the Recipe Manual contains 23 pages. We may modify either or both the Operational Manual and the Recipe Manual at any time and in any way so long as no modification materially diminishes your rights under your Subfranchise Agreement. Copies of the tables of contents of our Operational Manual and Recipe Manual are attached to this Franchise Disclosure Document as Exhibit B;
7. Provide you digital files to print or have printed for your initial advertising. (Subfranchise Agreement, Article 9); and
8. Provide at your expense additional initial training you request. (Subfranchise Agreement, Section 7.4).

### **Assistance During Operation**

During the operation of your Myungrang Shop we will:

1. Contact you periodically to review and consult with you regarding your operations. (Subfranchise Agreement, Section 7.5);
2. Have a representative come to your Myungrang Shop for a site evaluation at least once a quarter, using our proprietary operations checklist and score card. If you score less than 90 points, the representative will make a return visit in no more than two weeks to reevaluate and you will be charged for that visit the reevaluation fee then set forth in the Fee Schedule in the Operational Manual. If you have not corrected each of the deficiencies identified in the first monthly visit, you will be in default under your Subfranchise Agreement and be subject to subfranchise termination if you do not cure the default within seven days. (Subfranchise Agreement, Section 7.5);

3. Conduct unscheduled inspections and/or mystery shopper visits to confirm that your Myungrang Shop is being operated in compliance with the Myungrang Method and the Operational Manual and Recipe Manual (Subfranchise Agreement, Section 16.1A);
4. Provide additional and/or refresher training to you or your managerial employees who have signed our Nondisclosure Agreement as you request. We charge you for additional training you request and you must pay all travel, living, and other expenses of your trainees related to their attendance at the training. (Subfranchise Agreement, Section 7.4);
5. Update the Operational Manual and Recipe Manual as we find necessary. (Subfranchise Agreement Section 1.4B);
6. Update and improve standard operating techniques as we find necessary or desirable and send you any resulting Operational Manual and Recipe Manual updates. (Subfranchise Agreement Section 8.1B);
7. Maintain the Website and include your Myungrang Shop in the list of Myungrang Hot Dog Shops on it so long as you are not in default under your Subfranchise Agreement. (Subfranchise Agreement, Section 14.4B); and
8. Consult with you regarding any local advertising you propose to use and review and comment upon or approve your proposed advertising. You cannot use any advertising unless we approve it. We will deliver our approval or disapproval within 10 days after we receive the material and your request. (Subfranchise Agreement, Section 14.6).

### **Site Selection**

The site you select for your Myungrang Shop must be one we find suitable. (Subfranchise Agreement, Section 4.1) Because many different kinds and styles of locations may be suitable for your Myungrang Shop and many different sizes and layouts may be functional, we give you general specifications for your Myungrang Shop but we do not give you any site plans. Instead, we review your proposed site, size, layout, and plans and notify you whether we find them suitable.

If the site of your Myungrang Shop is not set forth in Schedule 1 to the Subfranchise Agreement when we deliver it to you, you will have 60 days from the Effective Date to deliver to us a proposal of at least one site that is located in an acceptable geographical area (the “Proposed Site(s)”), accompanied by a form of lease, a map of any shopping center, mall, or other commercial facility of which the Proposed Site is a part, a comprehensive set of photographs of the Proposed Site, and any other documents or information about the Proposed Site we request (the “Site Request Package”). Within 14 days after we receive the Site Request Package from you we will give you written notice whether the Proposed Site meets our minimum site requirements.

If we deliver notice that your first Proposed Site does not meet our minimum site requirements, you must continue diligent efforts to propose and deliver a Site Request Package for one or more other Proposed Sites until we notify you that a Proposed Site meets our minimum site requirements. If you have not succeeded in obtaining a site for your Myungrang Shop that meets our minimum site requirements within 120 days after the Effective Date, we may (but are not

obligated to) terminate the Subfranchise Agreement by delivering notice of termination, in which case we will refund the entire security deposit and all but \$2,000 of the initial subfranchise fee you have paid us after you sign and deliver our form of General Release and Covenant Survival Acknowledgment.

Our minimum site requirements include traffic patterns, availability and proximity of parking, site location type and physical characteristics (including size), proposed lease terms, the proximity of competition from other similar businesses, the proximity of other Myungrang Hot Dog Shops, and other factors we may consider relevant.

You must sign a lease within 30 days after you receive confirmation that your Proposed Site meets our minimum site requirements. You must then engage a licensed architect and within 30 days after you sign a lease you must submit you must have the architect prepare and you must submit to us for approval plans for the build out of your subfranchise location. We will notify you whether we approve the plans no more than four weeks after we receive a copy of the plans. Once we have approved the plans you must submit the plans for approval by the appropriate governmental entity, obtain building permits, and build out your Myungrang Shop in accordance with the plans your architect has prepared and we have reviewed within 90 days after the last of your building permits is issued.

Most Myungrang Hot Dog Shop subfranchisees will open their Myungrang Shop for business between six months and one year after we sign the Subfranchise Agreement. Factors that may affect the time from our signing the Subfranchise Agreement until your Myungrang Shop opens include whether you have identified a location before you sign the Subfranchise Agreement and the time it takes you to locate a suitable site, negotiate and sign a lease with the landlord that meets our lease requirements, be approved for and obtain any financing you need to develop, furnish, and equip your Myungrang Shop, obtain necessary permits, build out your Myungrang Shop, and have the furniture, furnishings, and equipment installed in it, including construction delays, comply with local ordinances and regulations and obtain from governmental agencies all necessary permits and licenses, and staff your Myungrang Shop.

## **Advertising**

From time to time, we may require you to purchase advertising or promotional material from us in the form of a digital file for you to print or have printed. You must use or display the advertising in your Myungrang Shop in the manner and for the time period we designate. We may also require you to participate in System-wide contests, product promotions, and similar promotions so long as no applicable law precludes your required participation. Those campaigns may include required discounts on featured products and may also award rebates to you for your participation. We will select the media we use for any advertising and any promotional campaigns we conduct, which may include one or more social networking services, print, radio, and television. There is no limit on what you may be required to spend to participate in required advertising or promotional campaigns or for the required materials.

We may hire a regional advertising agency or similar third party to prepare advertising for us. If we do, we will also determine the geographical scope of the advertising, which may extend beyond the geographical area where your Myungrang Shop is situated.

By delivering at least 30 days prior written notice, we may implement an Advertising and Promotional Fund and require you to contribute an amount we designate but not more than 2% of your Gross Revenue during the preceding calendar month to our advertising and promotional fund (the “Advertising Fund”). (Subfranchise Agreement, Section 14.8) If an Advertising Fund is established, we may but are not required to create an entity for it.

If we establish an Advertising Fund, we will determine and supervise all of the Advertising Fund’s activities and its monies will be used as we determine to produce advertising materials in media we select. Those activities may but will not necessarily include regional and (when we deem appropriate) national advertising programs, website enhancement and maintenance, social networking site fees and costs, toll-free telephone costs, public relations, market research, and other advertising, promotion, and marketing activities and may include using advertising and marketing professionals to advise and assist in the conduct of any or all of those activities. Advertising paid for by the Advertising Fund may be prepared by an outside agency.

If we establish an Advertising Fund, we will hold any Advertising Fund receipts in an account separate from our other monies. We may use Advertising Fund money to pay some or all of the costs we incur in connection with the Advertising Fund, including to reimburse us for the portion of our overhead and employee salaries attributable to management and operation of the Advertising Fund as well as for administrative costs, travel expenses, and similar costs related to the administration of the Advertising Fund and its activities. Some of the contributions to the Advertising Fund may be used to sell subfranchises and materials produced with Advertising Fund monies may be used on our Website along with materials advertising the availability of Myungrang Shop subfranchises. (Subfranchise Agreement, Section 14.8)

If we establish an Advertising Fund, we are not required to spend Advertising Fund money in any or every geographical area or to make expenditures proportionate or equivalent to contributions to the fund by subfranchisees operating in a particular geographical area, nor are we required to expend Advertising Fund monies so that your Myungrang Shop will benefit directly or in proportion to your contributions to the Advertising Fund. Any amounts contributed to the Advertising Fund that we do not spend in the fiscal year in which we receive them will be carried forward and included in the following year’s advertising budget.

Within 10 days after your request made at any time from April 1 to 30 of any calendar year, we will provide you an accounting of the Advertising Fund fees we collected in the prior year, showing the allocation of our advertising expenditures. Advertising receipts and expenditures will be administered by us and are not audited.

You are not presently required to participate in an advertising cooperative but we may at any time establish and coordinate cooperative advertising and sales programs, customer satisfaction programs, and similar programs for some or all Myungrang Hot Dog Shops, including those owned by us or our affiliates. We may require you to participate in those programs. (Subfranchise Agreement, Section 14.7)

We strictly control all internet and social media postings of advertising or promotional material for Myungrang Shops. You are absolutely prohibited from posting any promotional statement, material, or advertising on any social media or on the internet, including (without limitation) on a website, Facebook, Instagram, Snapchat, Twitter, or any other social networking service or similar site or tool unless it has been approved by us and complies with our social media

policy. You may advertise in print or any other media but any advertisements, promotional material, website, or website content must be approved in writing by us in advance. We will maintain the Website as described below. You may not establish a separate website for your Myungrang Shop.

## **Website**

We have developed and maintain the Myungrang Hot Dog website to advertise, market, and promote Myungrang Hot Dog Shops and provide a resource for subfranchisees (the “Website”). We will include your Myungrang Shop in the list of Myungrang Hot Dog Shops on the Website so long as you are not in default under your Subfranchise Agreement. We will update and modify the Website as and when we decide it is appropriate.

## **Internet Connection; Computer Requirements**

You must have a business quality high speed, wireless internet connection at your Myungrang Shop with speed of 2.4ghz or greater. You may use any internet service provider you choose. But your connection must have the capacity to handle all the data you are required to make available to us or receive from us over the internet and to operate the computer and point of sale system you are required to have in your Myungrang Shop as well as any other electronic equipment or devices we may require you to have and use. You must also have at least one cable or ISDN line in your Myungrang Shop.

You must use in your Myungrang Shop all the electronic equipment and software or other technology we designate. You must purchase and install at the front counter of your Myungrang Shop one computer that has a cash drawer attached to it and is capable of running the point of sale system we designate, a credit card reader, and a printer. Currently we designate the VelaPOS computer software and Cocard hardware for the point of sale system which you will obtain from Cocard directly. This point of sale system has the capability to connect to online third party delivery service providers, which you may use only after obtaining our prior written approval of each third party delivery service you choose. Once you have our prior written approval for a third party delivery service you will be solely responsible for enabling this feature and any fees you incur. You must also have a second printer in your kitchen that is connected to the front counter computer. All your sales transactions must be transmitted to and maintained on the point of sale system and be accessible to us at all times. In case of selling licensed goods and/or services from the other licensors or franchisors and paying the royalty fee to other than Myungrang America, you must install an independent POS system solely designated for Myungrang Hot Dog.

We may access your point of sale system, any other electronic equipment or devices we require you to install and use in your Myungrang Shop, all of the software you use for the subfranchised business, and all of the data on any of them at any time and all of them must be capable of seamlessly communicating data from and to us at all times. All of the data produced by or on your point of sale system or any other electronic equipment or devices you use in your Myungrang Shop belongs to us and we may independently access and retrieve any and all of that data and use it in any way we choose at any time, including by removing all or any part of the point of sale system or copying the software on it and may identify your Myungrang Shop as a source of the data. You may not take any action to prevent our access to that data and must take all action necessary to permit us to access the data, download it, and save it at all times.

## **Operational Manual and Recipe Manual**

We will give you one paper copy of the Operational Manual and one paper copy of the Recipe Manual. The Operational Manual and Recipe Manual include practices, methods, procedures, policies, and performance criteria, standards, and requirements methods, guides, checklists, preparation instructions, techniques, tips, recipes, and various other tools you will use and other information you must or may use in the operation of your Myungrang Shop. The contents of the Operational Manual and Recipe Manual are highly confidential and you must maintain that confidentiality, use the Operational Manual and Recipe Manual only in connection with the operation of your Myungrang Shop, and prevent unauthorized persons from obtaining access to them. The Operational Manual and Recipe Manual each remain our property and we may revise or amend any or all of them at any time so long as no modification materially diminishes your rights under the Subfranchise Agreement. We may change the medium in which we provide the Operational Manual or Recipe Manual to you at any time and require you to deliver to us or destroy and certify that you have destroyed all hard copies of the Operational Manual or Recipe Manual you have. The Operational Manual and Recipe Manual Tables of Contents are attached as Exhibit B.

## **Training Program**

We will provide initial training without extra charge for two of your trainees, which must include you or your Owner-Operator and your Shop Manager (who may also be your Owner- Operator) and may include a member of your kitchen staff. Both your trainees must sign our Nondisclosure Agreement and must complete the initial training program to our satisfaction. (Subfranchise Agreement, Section 7.1A) The training program is offered one month before your Myungrang Shop is scheduled to open. The cost of the initial training program is included in the initial subfranchise fee but you must pay the compensation of your trainees during the training period and any travel, lodging, and similar living expenses related to their attendance at the training. We will also train additional managerial employees as you request so long as you are not then in default under any agreement with us or any of our affiliates and the trainees have signed our Nondisclosure Agreement, but you must pay us our standard fee whether the training occurs prior to opening or during your operation of your Myungrang Shop. We currently charge \$500 a day for additional training and \$2,500 for a complete training course but we may change that charge at any time. The training is conducted at the Buena Park Shop and at your Myungrang Shop.

Our instructors are Andrew Joh who has completed MS's master chef training program in Korea and has developed and operated the Buena Park Shop since it opened in December 2019, Yang Il Kim who is our Operations Manager, and Ki Ho Park who is the assistant manager of the Buena Park Shop. The primary training material will be the Recipe Manual. The trainer will demonstrate how to prepare Myungrang Hot Dogs using the applicable portions of the Myungrang Method and your trainees will then practice preparing each menu item under the trainer's supervision.

The following chart shows the amount of time ordinarily spent on each of the itemized subjects:

| Subject                            | Hours of Classroom Training | Hours of On-The-Job Training | Location        |
|------------------------------------|-----------------------------|------------------------------|-----------------|
| Cooking Recipe                     | 1 hour                      | 1 hour                       | Buena Park Shop |
| Method of Food Service             | 1 hour                      | 1 hour                       | Buena Park Shop |
| Instructions for Cooking Equipment | 1 hour                      | 1 hour                       | Buena Park Shop |
| Storage and Preparing Ingredients  | 1 hour                      | 1 hour                       | Buena Park Shop |
| Cooking Method                     | 1 hour                      | 4 hours                      | Buena Park Shop |

## ITEM 12. TERRITORY

You will not receive an exclusive territory. We, our affiliates, and other subfranchisees can establish and operate a Myungrang Hot Dog Shop or any other kind of business anywhere regardless of how close it is to your Myungrang Shop and even if it competes directly or indirectly with your Myungrang Shop. You may face competition from other subfranchisees, from outlets we own, or from other channels of distribution or competitive brands we control. We do not presently have any plans to operate a competing franchise system offering goods, products, or merchandise that are the same as or similar to those you sell at your Myungrang Shop but we are not prevented from doing so.

We and our affiliates or any of our subfranchisees can solicit or accept orders from customers anywhere, but so can you. We and our affiliates also may use alternative channels of trade to sell the products and merchandise you sell in your Myungrang Shop, including on the internet, through catalogue sales, or by telemarketing, regardless of how those other channels of trade may impact sales at your Myungrang Shop.

Your Subfranchise Agreement gives you the right to operate only one Myungrang Shop only at a single location. The specific street address of your Myungrang Shop will be set forth in Schedule 1 to your Subfranchise Agreement either when you sign the Subfranchise Agreement if it is known or after you select and lease a suitable location. You must operate your Myungrang Shop only at the location you select and we indicate meets our minimum site selection criteria and you may not relocate your Myungrang Shop. You do not have the right to acquire additional Myungrang Shop subfranchises or establish or operate another Myungrang Shop. You are not prohibited from soliciting orders or accepting customers from anywhere and you can make deliveries anywhere, just as we or any of our subfranchisees may do anywhere. You may use a third party delivery service but only after obtaining our prior written approval of each third party delivery service you use. Sales for delivery will all be included in your Gross Revenue for all purposes. There is no minimum sales quota.

### ITEM 13. TRADEMARKS

We grant you the right to operate under the name “Myungrang Hot Dog” and to use in connection with your Myungrang Shop those trade or service marks we designate for use by all subfranchised Myungrang Shops, which we may alter or change at any time. Presently those trade and service marks include all those shown in the chart below, all of which are licensed to MS by its founder who owns all the marks, and sublicensed to us by MS.

| Mark                                                                                | Registration or Application No. | Registration or Filing Date |
|-------------------------------------------------------------------------------------|---------------------------------|-----------------------------|
| MYUNGRANG                                                                           | 6,031,090<br>(Trademark)        | April 7, 2020               |
| MYUNGRANG                                                                           | 6,031,090<br>(Service mark)     | April 7, 2020               |
|   | 5,998,039<br>(Trademark)        | February 25, 2020           |
|  | 5,998,039<br>(Service mark)     | February 25, 2020           |
|  | 88976951<br>(Trademark)         | June 22, 2021               |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                     |                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------|
|  <p>MYUNGRANG SIDAE<br/>RICE CORN DOG</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>6,186,835<br/>(Service mark)</p> | <p>October 27, 2020</p>  |
| <p><b>MYUNGRANG</b>  <b>HOTDOG</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>6,194,076<br/>(Trademark)</p>    | <p>November 10, 2020</p> |
| <p><b>MYUNGRANG</b>  <b>HOTDOG</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>6,194,076<br/>(Service mark)</p> | <p>November 10, 2020</p> |
|  <p><b>MYUNGRANG<br/>HOTDOG</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>88784024<br/>(Service Mark)</p>  | <p>February 4, 2020</p>  |
| <p>Notes:</p> <p>(1) MS originally filed a single, combined application under serial number 88042438 for registration of this mark as both a trade and service mark. That application was accepted as a service mark registration application but the trademark registration application was denied due to a technical error. MS then abandoned the combined registration application for serial number 88042438 and the United States Patent and Trademark office granted MS's request to divide the application into a service mark registration application which was granted (shown below as registration number 6,186,835)</p> |                                     |                          |

We will require you to use the Myungrang Marks we select and may change periodically and we may also require you to use other trade and service marks we, MS, or other affiliates of ours own that we have not yet registered with the United States Patent and Trademark Office.

You must follow our rules when you use any of the Myungrang Names or Myungrang Marks. You may not use any of the Myungrang Names or Myungrang Marks as part of an entity name or with modifying words, designs, or symbols except as we designate. You may not use any of the Myungrang Names in any fictitious business or assumed name. You may not use any of the Myungrang Names in any domain name or email address. You may not use any of the Myungrang Names or Myungrang Marks in any manner not authorized in writing by us or in connection with the sale of any goods, merchandise, products, or services except those we specifically authorize for your Myungrang Shop. (Subfranchise Agreement, Article 1)

We will use for any Myungrang Shop we develop and operate the Myungrang Names and some or all of the same marks you will use, including the Myungrang Marks. Those outlets are not subfranchised and are not subject to the same terms and restrictions as your subfranchised Myungrang Shop.

There are no determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending interference, opposition or cancellation proceedings or pending material litigation involving the Myungrang Marks.

MS has an agreement with its founder and we have an agreement with MS regarding our use of the Myungrang Names and Marks, and the other intellectual property that comprises what we refer to as the Myungrang Method (the “IP Agreement”). The IP Agreement gives us the right to sublicense the Myungrang Names, Myungrang Marks, and Myungrang Method to you and prevents MS from using or permitting any third party to use the Myungrang Names, Myungrang Marks, or Myungrang Method in a way that violates your rights under your Subfranchise Agreement. There are no other currently effective agreements other than the IP Agreement that significantly limit our right to use or license the use of the Myungrang Marks in a manner material to the subfranchise.

You must notify us immediately of any unauthorized use of any of the Myungrang Names or Myungrang Marks or any name or mark confusingly similar to any of the Myungrang Names or Myungrang Marks or any claim or litigation against you involving any of the Myungrang Names or Myungrang Marks of which you learn. We and MS have the right to control any administrative proceedings or litigation involving any of the Myungrang Names or Myungrang Marks and you must cooperate fully in those actions. (Subfranchise Agreement Section 1.4E).

You must modify or discontinue use of any of the Myungrang Names or Myungrang Marks as we require. We may modify or discontinue use of any of the Myungrang Names or Myungrang Marks or adopt new names or marks in our discretion. If we do that, you may have to pay the cost of replacing signs and similar items that use the Myungrang Names or Myungrang Marks that have been replaced. We do not reimburse you for any costs you may incur if we require you to modify or discontinue use of the Myungrang Names or Myungrang Marks. (Subfranchise Agreement, Section 1.3)

Except as described in Item 1 and this Item, we do not know of any infringing uses that could materially affect your use of the Myungrang Marks we license you to use. There are no effective agreements that limit Myungrang America LLC’s rights to use or license the use of the marks.

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

We do not have and you do not receive any rights in any patents.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY.

The information contained in the Operational Manual and the Recipe Manual and the information we give you during training for and operation of your Myungrang Shop is confidential and proprietary information owned by us or MS. You and your employees who need to have it and have signed our Nondisclosure Agreement may use that confidential and proprietary information only in connection with the operation of your Myungrang Shop as permitted by the Subfranchise Agreement and only in the manner permitted by the Subfranchise Agreement. (Subfranchise Agreement, Article 8 and Section 1.4)

You must deliver written notice to us promptly upon learning about any unauthorized use of our copyrights or proprietary information. We are not obligated to take any action but will take any action we think appropriate. (Subfranchise Agreement, Section 1.4)

All names, marks, ideas, concepts, innovations, or improvements relating in any manner whatsoever to a Myungrang Shop, the Myungrang Method, or the business of operating a retail outlet that sells Korean style hot dogs that you develop during the term of the Subfranchise Agreement will become our property. We and MS have the sole right to register those names, marks, ideas, concepts, innovations, or improvements under applicable patent, trademark, copyright, or other intellectual property law in our MS's name or in the name of any of our or MS's affiliates and to otherwise protect them and they will be trade secrets and proprietary information belonging to us and/or MS. You may not make any changes or improvements in the Myungrang Method or any of the furniture, furnishings, or equipment we have required you have in your Myungrang Shop without our prior written consent, which may be withheld in our sole discretion, and you must adhere to the Myungrang Method. Any changes or improvements you make are our property (Exhibit E: Subfranchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment).

#### **ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

The Myungrang Hot Dog Shop is an owner-operated and managed business. You or, if you are an entity, a person who owns at least 50% of your equity (the "Owner-Operator") who has been trained and approved by us must at all times be personally responsible for the day to day operation and administration of your Myungrang Shop. You or your Owner Operator must be personally present in and operate your Myungrang Shop at least two days a week for at least four hours a day, including weekends and the busiest hours for the business. Whenever you or your Owner-Operator is not personally present in and running your Myungrang Shop during operating hours it must be managed on a daily basis by a manager who has successfully completed our training to our satisfaction and remains qualified to be a person responsible for the day to day operation of your Myungrang Shop (a "Shop Manager").

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

You may offer and sell only those products, goods, and merchandise we have designated or approved for your Myungrang Shop as described in Item 8 above. You must offer, prepare, and sell all the products, goods, and merchandise we designate for your Myungrang Shop. There are no limits on our right to change, add to, or eliminate products, goods, or merchandise you are required to sell or services you are permitted or required to offer at your Myungrang Shop.

Except as described in Item 12, there are no restrictions regarding customers to whom you may sell.

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

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

### THE SUBFRANCHISE RELATIONSHIP

| Provision                           | Section in the Subfranchise Agreement | Summary                                                                                                                                                                  |
|-------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the subfranchise term  | Section 2.1                           | 10 Years.                                                                                                                                                                |
| b. Renewal or extension of the term | Section 2.2                           | You may renew for one additional five year term, but no longer than the period during which you have the continuing right to occupy the premises of your Myungrang Shop. |

| Provision                                  | Section in the Subfranchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| c. Requirements for you to renew or extend | Section 2.2                           | <p>You may extend the term of your subfranchise for one additional five year period, but no longer than the period during which you have the continuing right to occupy the premises of your Myungrang Shop, by:</p> <ul style="list-style-type: none"> <li>(i) giving us written notice of the exercise of that right not less than 210 days before the expiration of the existing Subfranchise Agreement term;</li> <li>(ii) executing the form of Renewal Subfranchise Agreement we are then offering to renewing subfranchisees; and</li> <li>(iii) paying us the \$15,000 renewal fee at least 30 days before the expiration of the existing term.</li> </ul> <p>We may refuse to permit you to renew the term of your subfranchise if you have received two or more notices of default during any 12 month period during the existing term or more than 10 notices of default throughout the existing term, whether or not those defaults were cured. You may not renew the subfranchise at any time when you have breached and not cured or are in default under the Subfranchise Agreement or any agreement between you and us, MS, or our affiliates. If you do renew the term of your subfranchise, you will be required to sign a new Subfranchise Agreement that may have materially different terms and conditions than your existing Subfranchise Agreement.</p> |

| Provision                            | Section in the Subfranchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| d. Termination by you                | Article 24                            | You may not initiate any action to terminate the Subfranchise Agreement because you claim we have defaulted unless you have delivered a written detailed description of your claims and then met and conferred with us during the next 45 days to attempt to resolve them. After that, you may terminate the Subfranchise Agreement if we default in the performance of any material obligation under it and that default is not cured within 60 days after we receive a written notice of the default from you, or, if the default is not susceptible of cure within a 60 day period, if corrective action has not been commenced within the 60 day period. |
| e. Termination by us without “cause” | None                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| f. Termination by us with “cause”    | Section 7.1C; Article 25              | We can terminate only if during or upon completion of initial training we conclude that you, your Owner-Operator, or your Shop Manager cannot operate a Myungrang Shop to our satisfaction or if you default.                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| Provision                                       | Section in the Subfranchise Agreement                                                                         | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| g. "Cause" defined – defaults that can be cured | Sections 25(a), 25(b), 25(c), 25(d), 25(g), 25(j), 25(k), 25(n), 25(o), 25(r), 25(s), 25(t), 25(v), and 25(w) | <p>Not curing within 3 days after notice any failure to adhere to standards, rules, and procedures, trade identity use requirements, or menu requirements; not curing within 5 days after notice any failure to pay sums due with late charges, make any report, deliver evidence of required insurance coverage, comply with law, pay taxes; failure to replace cancelled insurance at least 5 days before cancellation; failure to obtain release of writ within 5 days after levy; failure to cure within 5 days use of any reporting or data systems other than the point of sale system we designate for your use; failure to satisfy final judgment against your Myungrang Shop or its assets for 30 days without posting bond; entry of an order for relief in involuntary bankruptcy or similar case or appointment of receiver remaining in effect for 60 consecutive days; failure to cure within time permitted any default under any other agreement with us, MS, any of our affiliates or any third party related to your Myungrang Shop; failure to cure within time permitted any default under any agreement between any entity or business owned or partially owned by you or any of Your Interested Parties (as defined below) and us, MS, any of our affiliates, or any third party related to your Myungrang Shop; failure to cure within 10 days after notice any default in performance under Subfranchise Agreement not mentioned previously or in item (h) below.</p> |

|                                                  |                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>h. “Cause” defined – non-curable defaults</p> | <p>Article 9; Sections 2.3, 4.1A, 4.2B, 5.1B, 25(e), 25(f), 25(h), 25(i), 25(l), 25(m), 25(p), 25(q), 25(u), 25(x), 25(y), and 25(z)</p> | <p>Failure to submit at least one proposed subfranchise location that fits our basic site criteria within 60 days after the Effective Date of your Subfranchise Agreement; failure to select a subfranchise location that fits our basic site criteria within 120 days after the Effective Date of your Subfranchise Agreement; failure to sign a lease for a site we have confirmed fits our basic site criteria within 180 days after the Effective Date of your Subfranchise Agreement; failure to complete the build out of your Myungrang Shop within 90 days after you obtain the necessary building permits; failure to open your Myungrang Shop for business within 6 months after you take possession of the subfranchise location; you cease to have the right to occupy the subfranchise location and do not have a right to relocate or fail to meet milestones and open replacement location if right to relocate is available; violation of the restrictions on use of our trade identity; disclosure of any part of the Operational Manual or Recipe Manual or any of our proprietary information; failure to enter any item of Gross Revenue in the point of sale system; submission of three or more reports that audit(s) shows to understate Gross Revenue by 2% or more; failure to have you, your Owner-Operator and/or Shop Manager present at your Myungrang Shop as required; assignment, transfer, or encumbrance of the Subfranchise Agreement or business in violation of restrictions and requirements; cessation of operations or failure to open your Myungrang Shop for two days in succession unless excused; failure to pay monies when due to us on three or more occasions in any 12 month period; failure to comply with all other terms of Subfranchise</p> |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Provision                                       | Section in the Subfranchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 |                                       | Agreement on three or more occasions in any calendar year or more than 10 occasions throughout the term; commencement of voluntary bankruptcy or similar case or consent to appointment of receiver or similar official, failure to pay debts as due, or similar occurrences; act or conduct that reflects materially and unfavorably on us, our trade identity or reputation, or the business; or making any material misrepresentation to us.                                                                                                                                                                                                                                                                    |
| i. Your obligations on termination/ non-renewal | Articles 26 and 27                    | You must cease operation of your Myungrang Shop, de-identify, pay us all money you owe us, lease us the premises of your Myungrang Shop if you own it or assign us any lease of your Myungrang Shop if we choose to take it over, sell us certain assets if we choose to purchase them, cease using the Operational Manual and Recipe Manual and return them to us, return all our branded material and other confidential information; assign your telephone numbers to us; stop using any element of the Myungrang Method; and otherwise wind up the subfranchised business and our relationship as required by Article 27 of the Subfranchise Agreement. We can do some of these things if you fail to do them. |
| j. Assignment of contract by us                 | Section 20.5                          | We have the unrestricted right to assign our interest in the Subfranchise Agreement or the Myungrang Shop System to any person or entity who expressly assumes those obligations in writing at the time of the transfer. We may encumber all or any part of our interest in the Subfranchise Agreement or the Myungrang Shop System at any time.                                                                                                                                                                                                                                                                                                                                                                   |

| Provision                            | Section in the Subfranchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| k. “Transfer” by you<br>— defined    | Section 20.3                          | Any partial or complete assignment, sale, transfer, or encumbrance of any interest in your Subfranchise Agreement or your Myungrang Shop or any of its assets, and certain changes in ownership of you if you are an entity. Includes any transfer to a corporation, partnership, limited liability company, or other entity; any conversion, dissolution, merger, consolidation, or other reorganization, or sale or other transfer of any shares or membership units to a person or entity that is not an existing shareholder or member, or any sale of assets or change in the chief executive, operating, or financial officer or any manager; any change in or withdrawal of any partner or conversion, merger, consolidation, or other reorganization or any dissolution of the partnership; and any transfer from one person to any other. |
| l. Our approval of a transfer by you | Section 20.1                          | No transfer without our prior written consent, but we will not unreasonably withhold consent.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Provision                                              | Section in the Subfranchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| m. Conditions for our approval of the transfer         | Article 21; Sections 20.1 and 20.2    | Transferee's Owner-Operator or Shop Manager are approved and trained by us; you are not in default and do not default prior to transfer; you pay us and our affiliates and all vendors all money due, including a subfranchise transfer fee; transferee has the right to occupy the subfranchise location for the balance of the Subfranchise Agreement term; transferee signs our then-current Subfranchise Agreement modified to be for the remaining term of your Subfranchise Agreement; transferee signs all other agreements we then require subfranchisees or their owners to sign; you sign the form of General Release and Covenant Survival Acknowledgment we are then using unless law prohibits; you transfer all the agreements related to your Myungrang Shop and all of its assets to the transferee. See noncompetition agreement described in item r below. If you transfer to an entity you own, you must own a controlling interest in the entity and agree to be its principal executive and sign our form of personal guaranty. |
| n. Our right of first refusal to acquire your business | Article 22                            | We or our nominee may acquire your Myungrang Shop on the same terms as any third party offer you are willing to accept except that we may substitute cash for any consideration other than cash.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| o. Our option to purchase your business                | Sections 27.1(B) and 27.1(C)          | On termination or expiration, we may purchase all or any part of the physical assets of your Myungrang Shop.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| Provision                                                        | Section in the Subfranchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| p. Your death or disability or owner deadlock                    | Article 23                            | If you die or are disabled as defined in the Subfranchise Agreement or if there is a deadlock among your owners, we can require sale of your Myungrang Shop to an approved buyer within 180 days for the best offer obtained within 120 days (subject to our right of first refusal as described above). During any period of your incapacity or the incapacity of your Owner-Operator and/or until the business is sold, we can place a manager in your Myungrang Shop and you must pay us the manager's salary, transportation, lodging and related living expenses, and our management administration fee.                                                                                                                                                                                                                                                                                                                                                                                   |
| q. Non-competition covenants during the term of the subfranchise | Section 13.1                          | Neither you, anyone with a direct or indirect ownership interest in you, your Shop Manager, nor any of your affiliates or the officers, directors, managers, shareholders, members, partners, or owners of your affiliates or any others in direct or indirect concert or participation with you, your owners, your Shop Manager, your affiliates, or the officers, directors, managers, shareholders, members, partners, or owners of your affiliates (all the foregoing, collectively, "Your Interested Parties") may directly or indirectly (i) own any interest in, be employed by, provide advice or consultation to, or operate any other food service facility or business that specializes in the sale of hot dogs or operates any retail food facility substantially similar to your Myungrang Shop or (ii) have any interest in any entity that directly or indirectly does any of those at any time during the term of the Subfranchise Agreement without our prior written consent. |

| Provision                                                                    | Section in the Subfranchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| r. Non-competition covenants after the subfranchise is terminated or expires | Section 13.1                          | For three years following the expiration or termination of the Subfranchise Agreement, neither you, your Shop Manager, any of your affiliates, nor any Your Interested Parties shall (i) own any interest in, be employed by, provide advice or consultation to, or operate any other food service facility or business that specializes in the sale of hot dogs or operates any retail food facility substantially similar to your Myungrang Shop within three miles from your Myungrang Shop or within three miles of any Myungrang Shop, or (ii) have any interest in any entity that does any of those, without our prior written consent. |
| s. Modification of the Subfranchise Agreement                                | Sections 8.1B and 32.3                | No modifications unless signed by you and us, but we may modify the either or both the Operational Manual and Recipe Manual unilaterally.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| t. Integration/merger clause                                                 | Section 32.4                          | Only the terms of the Subfranchise Agreement are binding (subject to state law). Any promises outside this Franchise Disclosure Document and the Subfranchise Agreement may not be enforceable.                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| u. Dispute resolution by arbitration or mediation                            | Section 30.1                          | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| v. Choice of forum                                                           | Section 32.10                         | Litigation must be in Los Angeles County, California, subject to state law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| w. Choice of law                                                             | Section 32.9                          | The law of the state where your Myungrang Shop is situated.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

## **ITEM 18. PUBLIC FIGURES**

We do not use any public figure to promote Myungrang Hot Dog subfranchises.

## **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 Mr. Andrew Joh, 20627 Golden Springs Dr. #2-G Diamond Bar CA 91789, telephone (909) 547-7840

the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

### Subfranchises and Company Outlets in the United States and its Territories

**Table No. 1**  
**Systemwide United States Outlet Summary**  
For Fiscal Years 2019 to ~~2022~~ 2023

| Outlet Type   | Year        | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|-------------|----------------------------------|--------------------------------|------------|
| Franchised    | 2019        | 0                                | 1<br>(Note 1)                  | +1         |
|               | 2020        | 1                                | 3                              | +2         |
|               | 2021        | 3                                | 6                              | +3         |
|               | 2022        | 6                                | 12                             | +6         |
|               | <u>2023</u> | <u>12</u>                        | <u>14</u>                      | <u>+2</u>  |
| Company-Owned | 2019        | 0                                | 0                              | 0          |
|               | 2020        | 0                                | 0                              | 0          |
|               | 2021        | 0                                | 0                              | 0          |
|               | 2022        | 0                                | 0                              | 0          |
|               | 2023        | 0                                | 0                              | 0          |
| Total Outlets | 2019        | 0                                | 1                              | +1         |
|               | 2020        | 1                                | 3                              | +2         |
|               | 2021        | 3                                | 6                              | +3         |
|               | 2022        | 6                                | 12                             | +6         |
|               | <u>2023</u> | <u>12</u>                        | <u>14</u>                      | <u>+2</u>  |

**Notes:**

- (1) Andrew Foods, a California corporation owned by Andrew Joh, our Manager and one of our members, opened the first Myungrang Hot Dog Shop authorized by MS and us in December 2019. We agreed to defer all payments of any kind under the Subfranchise Agreement until after we were first registered to offer and sell subfranchises in California. Although we are now registered to offer and sell subfranchises in California, we have continued to defer payments from Andrew Foods under the Subfranchise Agreement in return for Andrew Foods' agreement to permit us to use the Buena Park Shop as the model Myungrang Shop for development of our subfranchise system.

**Table No. 2**  
**Transfers of United States Outlets from Franchisees to New Owners (other than the Franchisor)**  
For Fiscal Years 2019 to ~~2022~~ 2023

| State | Year        | Number of Transfers |
|-------|-------------|---------------------|
| CA    | 2019        | 0                   |
|       | 2020        | 0                   |
|       | 2021        | 0                   |
|       | 2022        | 0                   |
|       | <u>2023</u> | <u>0</u>            |

|       |      |   |
|-------|------|---|
| Total | 2019 | 0 |
|       | 2020 | 0 |
|       | 2021 | 0 |
|       | 2022 | 0 |
|       | 2023 | 0 |

|  |      |   |
|--|------|---|
|  | 2022 | 0 |
|--|------|---|

Table No. 3  
Status of United States Franchised Outlets  
For Fiscal Years 2019 to 2022 2023<sup>1</sup>

| State                | Year        | Outlets at Start of Year | Outlets Opened | Terminations | Nonrenewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
|----------------------|-------------|--------------------------|----------------|--------------|-------------|--------------------------|-----------------------------------|----------------------------|
| AZ                   | 2021        | 0                        | 1              | 0            | 0           | 0                        | 0                                 | 1                          |
|                      | 2022        | 1                        | 1              |              |             |                          |                                   | 2                          |
| CA                   | 2019        | 0                        | 1<br>(Note 1)  | 0            | 0           | 0                        | 0                                 | 1                          |
|                      | 2020        | 1                        | 2              | 0            | 0           | 0                        | 0                                 | 3                          |
|                      | 2021        | 3                        | 1              | 0            | 0           | 0                        | 0                                 | 4                          |
|                      | 2022        | 4                        | 2              | 0            | 0           | 0                        | 0                                 | 6                          |
|                      | 2023        | 6                        | 2              | 0            | 0           | 0                        | 1                                 | 8                          |
| UT<br>Co<br>NV<br>OH | 2021        | 0                        | 1              | 0            | 0           | 0                        | 0                                 | 1                          |
|                      | 2022        | 0                        | 1              | 0            | 0           | 0                        | 0                                 | 1                          |
|                      | 2022        | 0                        | 1              | 0            | 0           | 0                        | 0                                 | 1                          |
|                      | 2022        | 0                        | 1              | 0            | 0           | 0                        | 0                                 | 1                          |
| Total                | 2019        | 0                        | 1              | 0            | 0           | 0                        | 0                                 | 1                          |
|                      | 2020        | 1                        | 2              | 0            | 0           | 0                        | 0                                 | 3                          |
|                      | 2021        | 3                        | 3              | 0            | 0           | 0                        | 0                                 | 6                          |
|                      | 2022        | 6                        | 6              | 0            | 0           | 0                        | 0                                 | 12                         |
|                      | <u>2023</u> | <u>12</u>                | <u>2</u>       | <u>0</u>     | <u>0</u>    | <u>0</u>                 | <u>1</u>                          | <u>14</u>                  |

Notes:

- (1) Andrew Foods, a California corporation owned by Andrew Joh, our Manager and one of our members, opened the first Myungrang Hot Dog Shop authorized by MS and us in December 2019. We agreed to defer all payments of any kind under the Subfranchise Agreement until after we were first registered to offer and sell subfranchises in California. Although we are now registered to offer and sell subfranchises in California, we have continued to defer payments from Andrew Foods under the Subfranchise Agreement as we use it as our training facility the model Myungrang Shop for development of our subfranchise system.

Table No. 4  
Status of Company-Owned Outlets in the United States  
For Fiscal Years 2019 to ~~2022~~ 2023

| State | Year | Outlets at Start of the Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|-------|------|------------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| CA    | 2019 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|       | 2020 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|       | 2021 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|       | 2022 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|       | 2023 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |

|       |      |   |   |   |   |   |   |
|-------|------|---|---|---|---|---|---|
| Total | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
|       | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|       | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|       | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
|       | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |

Table No. 5

Projected Openings in the United States as of December 31, ~~2022~~ 2023

| State      | Franchise Agreements Signed but Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|------------|---------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| Arizona    | 0                                                 | 0                                                        | 0                                                           |
| California | <u>1</u>                                          | 0                                                        | 0                                                           |
| Ohio       | 0                                                 | 0                                                        | 0                                                           |
| WA         | <u>1</u>                                          | 0                                                        | 0                                                           |
| Total      | <u>2</u>                                          | 0                                                        | 0                                                           |

The Doraville, Georgia shop has promised to cease using any of the Myungrang Names or Marks March 31, 2021.

As of December 31, 2022 2023 outlets subfranchised by Myungrang America LLC were:

| Subfranchisee                                                     | Facility Location                                                                          |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| TVD Investment Group, LLC<br>a Arizona corporation                | NWC 91th Ave & Glendale<br>Glendale, AZ 85305<br>(619)214-0912                             |
| CDGR, LLC<br>a Arizona corporation                                | 1832 W. Broadway Rd<br>Mesa, AZ 85202<br>(480)703-3729                                     |
| Andrew Foods,<br>a California corporation                         | 6970 Beach Boulevard F-111<br>Buena Park, CA 90621<br>(714)752-6390                        |
| <u>Cibo Corea</u><br>a California corporation                     | <u>39904 10<sup>th</sup> St W. #B</u><br><u>Palmdale, CA 93551</u><br><u>(661)526-3403</u> |
| <u>Hotdog Bliss, LLC</u><br>a California corporation              | <u>3994 Summit Rd</u><br><u>Dublin, CA 94568</u><br><u>(415)810-8918</u>                   |
| International Business Infinity, Inc.<br>a California corporation | 4013 Grand Ave. #D<br>Chino, CA 91710<br>(714)209-1303                                     |
| NHSL, Inc,<br>a California corporation                            | 19540 Vallco Parkway Ste 150<br>Cupertino, CA 95014<br>(408)931-6487                       |
| YC International<br>Group, Inc.<br>a California<br>corporation    | 8935 Garden Grove Blvd.<br>Garden Grove, CA 92844<br>(714)867-6741                         |
| YC Int'l<br>Group, Inc.<br>a California<br>corporation            | 3825 Alton Parkway<br>Irvine, CA 92606<br>(562)213-8986                                    |
| Winsa Group Inc<br>a California corporation                       | 4501 E Carson St., Ste 108<br>Long Beach, CA 90712<br>(714)234-0749                        |

|                                             |                                                                            |
|---------------------------------------------|----------------------------------------------------------------------------|
| Yun and Sung LLC<br>A Colorado corporation  | 2601 S. Parker Rd.<br>Aurora, CO 80014<br>(720)862-5291                    |
| LVJ, LLC<br>a Nevada corporation            | 3200 Las Vegas Blvd S<br>Suite 600<br>Las Vegas, NV 89109<br>(224)735-1188 |
| Kim's Restaurant LLC<br>a Ohio corporation  | 850 N. High St.<br>Columbus, OH 43215<br>(440)915-5485                     |
| Super Hit Corporation<br>a Utah corporation | 11428 S. Pkwy Pl. #300<br>South Jordan, UT 84095<br>(801)386-6774          |

|  |  |
|--|--|
|  |  |
|--|--|

The outlets in the rest of the system were all those that were sold by Paul Yoo of LKT. The outlets that were sold by Paul Yoo and were at any point operated as Myungrang franchisees including, any that decided not to sign subfranchise agreements with Myungrang America, LLC and then de-identified as Myungrang franchisees were:

| Outlets that were sold by Paul Yoo and were at any point operated as Myungrang franchisees including, any that decided not to sign subfranchise agreements with Myungrang America, LLC and then De-identified outlets | <ul style="list-style-type: none"> <li><u>Facility Location</u></li> </ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Two Hands Seoul Fresh Corn Dog                                                                                                                                                                                        | 450 S. Western Ave. Suite 313<br>Los Angeles, CA 90020                     |
| Mochi Dochi Gourmet Hot Dog and Donut                                                                                                                                                                                 | 2114 Sawtelle Blvd. Suite 211<br>West Los Angeles, CA 90025                |
| Top Dog                                                                                                                                                                                                               | 18180 Colima Rd. Suite B<br>Rowland Heights, CA 91748                      |
| Zzang Hot Dog Convoy                                                                                                                                                                                                  | 7725 Balboa Ave.<br>San Diego, CA 92111                                    |
| Bazak Bazak Rice Hot Dogs                                                                                                                                                                                             | 1710 Oakland Rd<br>San Jose, CA 95131                                      |
| Oh K-Dog                                                                                                                                                                                                              | 6035 Peachtree Rd., T3<br>Doraville, GA 30360                              |
| King Hot Dog                                                                                                                                                                                                          | 2550 Pleasant Hill Rd. Suite 300<br>Duluth, GA 30096                       |
| Seoul Hot Dog                                                                                                                                                                                                         | 10820 Abbotts Bridge Rd<br>Johns Creek, GA 30097                           |
| Holycow                                                                                                                                                                                                               | 98 Moanalua Rd., Suite 527<br>Aiea, HI 96701                               |
| Holycow                                                                                                                                                                                                               | 1450 Ala Moana Blvd<br>Honolulu, HI 96814                                  |
| Crunchese Korean Hot Dog                                                                                                                                                                                              | 4284 Spring Mountain Rd., D-101<br>Las Vegas, NV 89102                     |
| Oh K-Dog & Egg Toast                                                                                                                                                                                                  | 2625 Old Denton Rd., Suite 314<br>Carrollton, TX 75007                     |

Myungrang Sidae Restaurant Youth Cooperative Association does not have any unit franchisees, and there are no other subfranchisors operating under the same brand other than Myungrang America, LLC.

As of December 31, 2022, there ~~is no~~ are two franchisee who has signed an agreement but is not yet open were:

| Subfranchisee not open yet                                                  | Facility Location                                                                  |
|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <u>Hotdog Delight, LLC</u><br><u>A California limited liability company</u> | <u>2519 "D" Durant Ave</u><br><u>Berkeley, CA 94704</u><br><u>(415)606-7193</u>    |
| <u>Estdan, LLC</u><br><u>a Washington limited liability company</u>         | <u>100 Andover Park W #110</u><br><u>Tukwila, WA 98188</u><br><u>(206)355-3720</u> |
|                                                                             |                                                                                    |

We do not have any subfranchisee who had a subfranchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Subfranchise Agreement during our most recently completed fiscal year or who has not communicated with us within ten weeks of the issuance date of this disclosure document. If you buy this subfranchise, your contact information may be disclosed to other buyers when you leave the Myungrang Shop System.

### Confidentiality

You may wish to speak with current or former subfranchisees but be aware that not all of our subfranchisees will be able to communicate with you. Sometimes subfranchisees leaving the Myungrang Shop System must sign a confidentiality agreement that prohibits them from discussing their experience with prospective subfranchisees. We have not signed that kind of confidentiality agreement with any current or former subfranchisees. Our Subfranchise Agreement prohibits a subfranchisee from discussing the subfranchise, its operation, the subfranchisee's operating experience, or us or any of our affiliates with anyone unless we have certified that the inquirer is a prospective subfranchisee.

## **Subfranchisee Associations**

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We do not have any trademark specific subfranchisee associations.

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**ITEM 21. FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as Exhibit C are our audited financial statements for the periods ending ~~December 31, 2020 and~~ December 31, 2021, and December 31, 2022, and December 31, 2023.

**ITEM 22. CONTRACTS**

The following contracts comprise the following exhibits to this Franchise Disclosure Document:

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|           |                                                                                       |
|-----------|---------------------------------------------------------------------------------------|
| Exhibit D | Subfranchise Agreement                                                                |
| Exhibit E | Subfranchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment |
| Exhibit F | Consent of Spouse/Domestic Partner                                                    |
| Exhibit G | General Release and Covenant Survival Acknowledgement                                 |
| Exhibit H | Subfranchisee Certification                                                           |
| Exhibit I | Subfranchisee Information                                                             |
| Exhibit J | State Addendum                                                                        |

### **ITEM 23. RECEIPTS**

A form for your use to acknowledge your receipt of this Franchise Disclosure Document, including all exhibits, is attached as Exhibit L. You must date and sign one copy of the Receipt and deliver it to us.

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

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

*Note:* Agents for service of process are located at the same address as the state regulatory authorities unless otherwise noted below.

| <b>State</b> | <b>State Administrator</b>                                                                                                                                                                                 | <b>Agent for Service of Process</b>                                                                                                                                                   |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| California   | Department of Financial Protection and Innovation<br>320 West 4 <sup>th</sup> Street<br>Los Angeles, CA 90013<br>866-275-2677                                                                              | Andrew Joh<br>20627 Golden Springs Dr. #2-G<br>Diamond Bar CA 91789<br>(909) 547-7840                                                                                                 |
| Florida      | Florida Department of Agriculture and Consumer Services<br>Plaza Level 10, The Capitol<br>400 South Monroe Street<br>Tallahassee, FL 32399-0800<br>800-435-7352                                            | Secretary of State<br>Division of Corporations<br>Clifton Building<br>2661 Executive Center Circle<br>Tallahassee, FL 32301<br>P.O. Box 6327<br>Tallahassee, FL 32314<br>850-245-6000 |
| Illinois     | Illinois Attorney General<br>Franchise Bureau<br>500 South Second Street<br>Springfield, IL 62706<br>217-782-4465                                                                                          | Illinois Attorney General<br>500 South Second Street<br>Springfield, IL 62706                                                                                                         |
| Maryland     | Maryland Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202<br>410-576-6360                                                                                              | Maryland Securities<br>Commissioner<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202                                                                               |
| Michigan     | Department of Licensing and Regulatory Affairs<br>Corporation, Securities and Commercial Licensing Bureau<br>2501 Woodlake Circle<br>Okemos, MI 48864<br>PO Box 30018<br>Lansing, MI 48909<br>517-241-9202 | Corporations, Securities and Land Development Bureau<br>Michigan Department of Consumer and Industry Services<br>6546 Mercantile Way<br>P.O. Box 30222<br>Lansing, MI 48909           |
| New York     | Office of the Attorney General<br>Investor Protection Bureau<br>120 Broadway, 23rd Floor<br>New York, NY 10271<br>212-416-8222                                                                             | New York Secretary of State<br>99 Washington Avenue<br>Albany, NY 12231                                                                                                               |

| State        | State Administrator                                                                                                                                                                                           | Agent for Service of Process                                                                                          |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Oregon       | Department of Consumer & Business Services<br>Division of Finance and Corporate Securities<br>350 Winter Street NE<br>Room 410<br>Salem, OR 97301-3881<br>P.O. Box 14480 Salem,<br>OR 97309-0405 503-947-7862 | Secretary of State<br>Corporation Division<br>255 Capitol Street<br>NE Suite 151<br>Salem, OR 97310-1327              |
| Rhode Island | State of Rhode Island and Providence Plantations Department of Business Regulation Division of Securities<br>1511 Pontiac Avenue, Building 69-1<br>Cranston, RI 02920                                         | Director, Department of Business Regulation<br>1511 Pontiac Avenue<br>Cranston, RI 02920                              |
| Virginia     | Commonwealth of Virginia<br>State Corporation Commission<br>Division of Securities & Retail Franchising<br>P.O. Box 1197<br>Richmond, Virginia 23218<br>804-371-9051                                          | Virginia State Corporation Commission<br>P.O. Box 1197<br>Richmond, Virginia 23218                                    |
| Washington   | Department of Financial Institutions<br>Securities Division<br>150 Israel Road, SW<br>PO Box 9033<br>Tumwater, WA 98507-9033<br>360-902-8760                                                                  | Administrator of the Washington Department of Financial Institutions<br>150 Israel Road<br>Tumwater, WA 98501         |
| Utah         | Department of Commerce Division of Consumer Protection<br>Heber M. Wells Building<br>160 East 300 South Salt Lake City, Utah 84111                                                                            | Director, Division of Consumer Protection<br>Heber M. Wells Building<br>160 East 300 South Salt Lake City, Utah 84111 |
| Texas        | Texas Secretary of State<br>Registration Unit<br>P.O. Box 13193<br>Austin, TX 787-3193                                                                                                                        | Texas Secretary of State<br>Registration Unit<br>P.O. Box 13193<br>Austin, TX 787-3193                                |

**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS  
EXHIBIT A**

## **OPERATIONAL MANUAL AND RECIPE MANUAL TABLES OF CONTENTS**

## OPERATIONAL MANUAL TABLE OF CONTENTS

1. Introduction
  2. Roles and Responsibilities
  3. Customer Service
  4. Food Safety
  5. Cleanliness
  6. Quality
  7. Occupational Health and Safety
  8. How to Make Myungrang Hot Dog
  9. Marketing
  10. Advertising and Promotion
  11. Human Resource Management
  12. Key Considerations for New Franchisees
- < APPENDIX 1 > S.V. Check List for Supervising
- < APPENDIX 2 > QSC Check List

Total Pages: 43

## RECIPE MANUAL TABLE OF CONTENTS

1. Customer Service
2. Frying Time/How to Manage a Fryer
3. How to Use a Planetary Mixer
4. How to Make a Batter
5. How to Simmer Sausages (Jumbo Sausages)/Stick-like Rice Cakes (Graetteok)
6. How to Store Ingredients/Managing Ingredients in the Summer
7. How to Make Hot Dogs
8. Hot Dog Weight

Total Pages: 23

## **FINANCIAL STATEMENTS**

## **FINANCIAL STATEMENTS EXHIBIT C**

**MYUNGRANG AMERICA, LLC**

Financial Statements

December 31, 2022

(With Independent Auditors' Report Thereon)

|                                         | <b>Page</b> |
|-----------------------------------------|-------------|
| <b>Independent Auditors' Report</b>     | <b>1</b>    |
| <b>Financial Statements</b>             |             |
| Balance Sheet                           | 3           |
| Statement of Income                     | 4           |
| Statement of Changes in Members' Equity | 5           |
| Statement of Cash Flows                 | 6           |
| <b>Notes to Financial Statements</b>    | <b>7</b>    |



## **Independent Auditors' Report**

The Members  
Myungrang America, LLC  
Anaheim, California

### **Opinion on the Financial Statements**

We have audited the accompanying financial statements of Myungrang America, LLC, which comprise the balance sheet as of December 31, 2022, and the related statements of income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

**UCMK & ASSOCIATES**

Los Angeles, California

February 7, 2023

**Myungrang America, LLC**  
**Balance Sheet as of December 31, 2022**

**Assets**

Current assets:

|                      |               |
|----------------------|---------------|
| Cash                 | \$ 369,583    |
| Accounts receivable  | 33,560        |
| Inventory            | 74,894        |
| Other current assets | <u>19,062</u> |

Total current assets 497,099

Intangible assets, net 19,328

Total assets \$ 516,427

**Liabilities and Members' Equity**

Current liabilities:

|                                                |               |
|------------------------------------------------|---------------|
| Deferred sub-franchise fee income - current    | \$ 41,000     |
| Accounts payable                               | 46,864        |
| Accrued expenses and other current liabilities | <u>18,886</u> |

Total current liabilities 106,750

Deferred sub-franchise fee income - noncurrent 317,917

Security deposits payable to sub-franchisees 60,000

Total liabilities \$ 484,667

Members' equity:

|                       |                  |
|-----------------------|------------------|
| Members' contribution | 200,000          |
| Accumulated deficit   | <u>(168,240)</u> |

Members' equity 31,760

Commitments and contingencies

Total liabilities and members' equity \$ 516,427

See accompanying notes to financial statements.

**Myungrang America, LLC**  
**Statement of Income for the year ended December 31, 2022**

|                                  |    |                      |
|----------------------------------|----|----------------------|
| Revenues:                        |    |                      |
| Sales                            | \$ | 371,577              |
| Royalty income                   |    | 149,398              |
| Sub-franchise fee income         |    | <u>37,208</u>        |
| Total revenues                   |    | 558,183              |
| Cost of sales                    |    | <u>347,920</u>       |
| Gross profit                     |    | 210,263              |
| Operating expenses:              |    |                      |
| Advertising expenses             |    | 4,280                |
| Professional fees                |    | 37,381               |
| Royalty expense                  |    | 1,229                |
| Salaries and wages               |    | 80,500               |
| Payroll taxes                    |    | 6,928                |
| Rent                             |    | 4,900                |
| Amortization                     |    | 14,497               |
| Other operating expenses         |    | <u>42,693</u>        |
| Total operating expenses         |    | 192,408              |
| Income before income tax expense |    | 17,855               |
| Income tax expense               |    | <u>2,600</u>         |
| Net income                       | \$ | <u><u>15,255</u></u> |

See accompanying notes to financial statements.

**Myungrang America, LLC**

**Statement of Changes in Members' Equity for the year ended December 31, 2022**

|                              | <b>Members'</b><br><b>Contribution</b> | <b>Accumulated</b><br><b>Deficit</b> | <b>Total</b><br><b>Members' Equity</b> |
|------------------------------|----------------------------------------|--------------------------------------|----------------------------------------|
| Balance at January 1, 2022   | \$ 200,000                             | (183,495)                            | 16,505                                 |
| Net income                   | —                                      | 15,255                               | 15,255                                 |
| Balance at December 31, 2022 | \$ 200,000                             | (168,240)                            | 31,760                                 |

See accompanying notes to financial statements.

**Myungrang America, LLC**  
**Statement of Cash Flows for the year ended December 31, 2022**

|                                                                                   |                          |
|-----------------------------------------------------------------------------------|--------------------------|
| Cash flows from operating activities:                                             |                          |
| Net income                                                                        | \$ 15,255                |
| Adjustments to reconcile net income to net cash provided by operating activities: |                          |
| Amortization                                                                      | 14,497                   |
| Changes in operating assets and liabilities:                                      |                          |
| Accounts receivable                                                               | (33,560)                 |
| Inventory                                                                         | 52,038                   |
| Deferred sub-franchise fee income                                                 | 102,792                  |
| Other current and non-current assets                                              | (4,463)                  |
| Accounts payable                                                                  | 123                      |
| Accrued expenses and other current liabilities                                    | (11,609)                 |
| Security deposits payable to sub-franchisees                                      | <u>20,000</u>            |
| Net cash provided by operating activities                                         | 155,073                  |
| <br>Cash at beginning of period                                                   | <br><u>214,510</u>       |
| Cash at end of period                                                             | \$ <u><u>369,583</u></u> |
| Supplemental disclosure of cash flow information:                                 |                          |
| Cash paid during the period for:                                                  |                          |
| Income taxes                                                                      | \$ 2,600                 |

See accompanying notes to financial statements.

**(1) Organization**

Myungrang America, LLC (the “Company”) was incorporated in May 2019 for the purpose of franchising and sub-franchising hot dog stores in the United States under the name “Myungrang Hot Dog”, a well-known restaurant chain in Korea. Under a master franchise agreement with Myungrang Sidae, the original franchisor in Korea, the Company has the exclusive right to develop and operate franchised outlets itself or sub-franchise Myungrang Hot Dog stores in California or those of the United States that would not require registration of Myungrang Sidae’s grant to the Company of the master franchise rights or the Company’s grant of sub-franchises.

The Company had twelve sub-franchisee stores throughout the United States as of December 31, 2022 under the sub-franchise agreements.

**(2) Summary of Significant Accounting Policies****(a) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**(b) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation of deferred tax assets and other contingencies.

**(c) Revenue**

Sales from sub-franchisees are recognized when the Company satisfies a performance obligation by delivering a promised goods to the sub-franchisees.

Royalty income will be recognized based upon a pre-determined percentage of sub-franchise store sales. Total royalty income amounted to \$149,398 for the year ended December 31, 2022.

Sub-franchise fees collected from the sub-franchisee are recognized as revenue over the initial term of the sub-franchise agreement which is ten years. Deferred sub-franchise fee income represents the initial sub-franchise fees collected from the sub-franchisees, net of sub-franchise fee income recognized.

Out of total net deferred sub-franchise fee income, current portion of \$41,000 was recorded as current liabilities and the remainder of \$317,917 was allocated to non-current liabilities as of December 31, 2022.

**(d) *Accounts Receivable***

The Company provides allowances for estimated credit losses, product returns and spoilage at a level deemed appropriate to adequately provide for known and inherent risks related to such amounts. The allowances are based on reviews of history of losses, returns, spoilages, adjustments, contractual relationships with customers, current economic conditions, and other factors that warrant consideration in estimating potential losses. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. The Company's policy is not to charge interest on past due trade receivables. A receivable is considered past due if payment has not been received within agreed upon invoice terms. No allowance for doubtful account was recorded as of December 31, 2022.

**(e) *Advertising Expense***

Advertising costs are expensed as incurred. Total advertising costs expensed in 2022 was amounted to \$4,280.

**(f) *Inventories***

Inventories primarily consist of finished goods and are stated at the lower of cost or market, cost being determined on the weighted average costing method which approximates actual cost.

**(g) *Intangible assets, net***

When the Company acquires an intangible asset, it is recorded at acquisition cost (the purchase price of the intangible asset and the costs directly related to the preparation of the asset for its intended purpose). The cost of an intangible asset acquired in a business combination is measured at the fair value of the acquisition date according to the accounting standards for business combinations. Intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives.

**(h) *Impairment of Long-lived Assets***

The Company's long-lived assets and other assets (consisting of property and equipment and purchased intangible assets) are reviewed for impairment in accordance with the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, Property, Plant, and Equipment and FASB ASC 205 Presentation of Financial Statements. The Company tests for impairment losses on long-lived assets used in operations whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Impairment evaluations involve management's estimates on asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management which could have a material effect on our reporting results and financial

positions. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

As of December 31, 2022, the Company was not aware of any events or changes in circumstances that would indicate that the long-lived assets are impaired.

**(i) *Income Taxes***

The Company was formed as a California Limited Liability Company and is not subject to federal income taxes. The Company's taxable income or loss is allocated to each of its members based on the member's ownership interest in the Company. Each member's tax status, in turn, determines the appropriate income tax for its allocated share of the Company's taxable income or loss. Limited liability companies are subject to a fee-based tax on gross revenue in the State of California, with an annual minimum tax of \$800.

The Company adopted FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. The Company files income tax returns in the U.S. federal jurisdiction and the state of California.

The Company does not have unrecognized tax benefits for the year ended December 31, 2022 and does not expect this to change significantly over the next 3 months. In connection with the adoption of ASC 740, the Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company has not accrued interest or penalties related to uncertain tax positions for the year ended December 31, 2022.

**(j) *Commitments and Contingencies***

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Recoveries of environmental remediation costs from third parties that are probable of realization are separately recorded as assets, and are not offset against the related environmental liability.

**(k) *Comprehensive Loss***

There was no difference between net loss and comprehensive loss for the Company during the reporting period.

**(l) Fair Value Measurement**

The Company records its financial assets and liabilities at fair value, which is defined under the applicable accounting standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measure date. The Company uses valuation techniques to measure fair value, maximizing the use of observable outputs and minimizing the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

If the determination of fair value measurement for a particular asset or liability is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**(m) Recently Issued Accounting Standards**

In February 2016, the FASB issued Accounting Standards Updates (“ASU”) 2016-2, “Leases” which superseded FASB ASC 840 Leases and adds FASB ASC 842. The new FASB ASC 842 requires lessees to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term: recognize a single lease cost, which is allocated over the lease term, generally on a straight-line basis, and classify all cash payments within operating activities in the statement of cash flows. For financing leases, a lessee is required to recognize a right-of-use asset and a lease liability; recognize interest on the lease liability separately from amortization of the right-of-use asset, and classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability within operating activities in the statement of cash flows. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. In addition, at the inception of a contract, an entity should determine whether the contract is or contains a lease. ASU 2016-2 is effective for nonpublic entities for fiscal years beginning December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The effective date was extended for 1 year as result of issuance of ASU 2019-10, Financial Instruments – Credit Losses (Topic 326), Derivative and Hedging (Topic 815) and Leases (Topic 842).

**(3) Intangible assets, net**

Intangible assets consist of certain start-up expenses incurred and are amortized using the straight-line method over five years. Amortization expenses amounted to \$14,497 for the year ended December 31, 2022.

**(4) Commitments and Contingencies**

The Company entered a month-to-month lease agreement for the office space in January 2020. Rent expense for the year ended December 31, 2022 was \$4,900.

The Company may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the Company is not involved in matters of which the ultimate disposition will have a material adverse effect on the Company's financial position, results of operations, or liquidity.

**(5) Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through February 6, 2023, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.



**MYUNGRANG AMERICA, LLC**

Financial Statements

December 31, 2021

(With Independent Auditors' Report Thereon)

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## **Independent Auditors' Report**

The Members  
Myungrang America, LLC  
Anaheim, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Myungrang America, LLC, which comprise the balance sheet as of December 31, 2021, and the related statements of operation, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**UCMK & Associates**  
3530 Wilshire Blvd. Suite 1510  
Los Angeles, CA 90010

### **Opinion**

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Myungrang America, LLC as of December 31, 2021, and the results of its operation and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**UCMK & ASSOCIATES**

Los Angeles, California

March 7, 2022

**Myungra America, LLC**  
**Balance Sheet as of December 31, 2021**

**Assets**

Current assets:

|                      |               |
|----------------------|---------------|
| Cash                 | \$ 214,510    |
| Inventory            | 126,932       |
| Other current assets | <u>14,599</u> |

Total current assets 356,041

Intangible assets, net 33,825

Total assets \$ 389,866

**Liabilities and Members' Equity**

Current liabilities:

|                                                |               |
|------------------------------------------------|---------------|
| Deferred sub-franchise fee income              | \$ 256,125    |
| Accounts payable                               | 46,741        |
| Accrued expenses and other current liabilities | <u>30,495</u> |

Total current liabilities 333,361

Security deposits payable to sub-franchisees 40,000

Total liabilities \$ 373,361

Members' equity:

|                       |                  |
|-----------------------|------------------|
| Members' contribution | 200,000          |
| Accumulated deficit   | <u>(183,495)</u> |
| Members' equity       | 16,505           |

Commitments and contingencies

Total liabilities and members' equity \$ 389,866

See accompanying notes to financial statements.

**Myungrang America, LLC**  
**Statement of Operation for the year ended December 31, 2021**

|                                |    |                        |
|--------------------------------|----|------------------------|
| Revenues:                      |    |                        |
| Sales                          | \$ | 362,917                |
| Royalty income                 |    | 83,352                 |
| Sub-franchise fee income       |    | <u>13,875</u>          |
| Total revenues                 |    | 460,144                |
| <br>Cost of sales              |    | <u>318,996</u>         |
| Gross profit                   |    | 141,148                |
| <br>Operating expenses:        |    |                        |
| Advertising expenses           |    | 10,244                 |
| Professional fees              |    | 55,812                 |
| Royalty expense                |    | 16,932                 |
| Salaries and wages             |    | 68,400                 |
| Payroll taxes                  |    | 5,807                  |
| Rent                           |    | 6,570                  |
| Amortization                   |    | 14,497                 |
| Other operating expenses       |    | <u>24,703</u>          |
| Total operating expenses       |    | 202,965                |
| Loss before income tax expense |    | (61,817)               |
| Income tax expense             |    | <u>800</u>             |
| Net loss                       | \$ | <u><u>(62,617)</u></u> |

See accompanying notes to financial statements.

## Myungrang America, LLC

### Statement of Changes in Members' Equity for the year ended December 31, 2021

|                              | <b>Members'</b>     | <b>Accumulated</b> | <b>Total</b>           |
|------------------------------|---------------------|--------------------|------------------------|
|                              | <b>Contribution</b> | <b>Deficit</b>     | <b>Members' Equity</b> |
| Balance at January 1, 2021   | \$ 200,000          | (120,878)          | 79,122                 |
| Net loss                     | —                   | (62,617)           | (62,617)               |
| Balance at December 31, 2021 | \$ 200,000          | (183,495)          | 16,505                 |

See accompanying notes to financial statements.

## Myungrang America, LLC

### Statement of Cash Flows for the year ended December 31, 2021

|                                                                                   |                          |
|-----------------------------------------------------------------------------------|--------------------------|
| Cash flows from operating activities:                                             |                          |
| Net loss                                                                          | \$ (62,617)              |
| Adjustments to reconcile net income to net cash provided by operating activities: |                          |
| Amortization                                                                      | 14,497                   |
| Changes in operating assets and liabilities:                                      |                          |
| Sub-franchise fee receivable                                                      | 60,000                   |
| Inventory                                                                         | (90,212)                 |
| Other current and non-current assets                                              | 916                      |
| Deferred sub-franchise fee income                                                 | 196,125                  |
| Accounts payable                                                                  | 7,180                    |
| Accrued expenses and other current liabilities                                    | 14,625                   |
| Security deposits payable to sub-franchisees                                      | <u>30,000</u>            |
| Net cash provided by operating activities                                         | 170,514                  |
| Cash at beginning of period                                                       | <u>43,996</u>            |
| Cash at end of period                                                             | \$ <u><u>214,510</u></u> |
| Supplemental disclosure of cash flow information:                                 |                          |
| Cash paid during the period for:                                                  |                          |
| Income taxes                                                                      | \$ 800                   |

See accompanying notes to financial statements.

**(1) Organization**

Myungrang America, LLC (the “Company”) was incorporated in May 2019 for the purpose of franchising and sub-franchising hot dog stores in the United States under the name “Myungrang Hot Dog”, a well-known restaurant chain in Korea. Under a master franchise agreement with Myungrang Sidae, the original franchisor in Korea, the Company has the exclusive right to develop and operate franchised outlets itself or sub-franchise Myungrang Hot Dog stores in California or those of the United States that would not require registration of Myungrang Sidae’s grant to the Company of the master franchise rights or the Company’s grant of sub-franchises.

The Company had nine sub-franchisee stores throughout the United States as of December 31, 2021 under the sub-franchise agreements.

**(2) Summary of Significant Accounting Policies****(a) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**(b) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation of deferred tax assets and other contingencies.

**(c) Revenue**

Sales from sub-franchisees are recognized when the Company satisfies a performance obligation by delivering a promised goods to the sub-franchisees.

Royalty income will be recognized based upon a pre-determined percentage of sub-franchise store sales. Total royalty income amounted to \$83,352 for the year ended December 31, 2021.

Sub-franchise fees collected from the sub-franchisee are recognized as revenue over the initial term of the sub-franchise agreement which is ten years. Deferred sub-franchise fee income represents the initial sub-franchise fees collected from the sub-franchisees, net of sub-franchise fee income recognized.

**(d) Advertising Expense**

Advertising costs are expensed as incurred. Total advertising costs expensed in 2021 was amounted to \$10,244.

**(e) Inventories**

Inventories primarily consist of finished goods and are stated at the lower of cost or market, cost being determined on the weighted average costing method which approximates actual cost.

**(f) Intangible assets, net**

When the Company acquires an intangible asset, it is recorded at acquisition cost (the purchase price of the intangible asset and the costs directly related to the preparation of the asset for its intended purpose). The cost of an intangible asset acquired in a business combination is measured at the fair value of the acquisition date according to the accounting standards for business combinations. Intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives.

**(g) Impairment of Long-lived Assets**

The Company's long-lived assets and other assets (consisting of property and equipment and purchased intangible assets) are reviewed for impairment in accordance with the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, Property, Plant, and Equipment and FASB ASC 205 Presentation of Financial Statements. The Company tests for impairment losses on long-lived assets used in operations whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Impairment evaluations involve management's estimates on asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management which could have a material effect on our reporting results and financial positions. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

As of December 31, 2021, the Company was not aware of any events or changes in circumstances that would indicate that the long-lived assets are impaired.

**(h) Income Taxes**

The Company was formed as a California Limited Liability Company and is not subject to federal income taxes. The Company's taxable income or loss is allocated to each of its members based on the member's ownership interest in the Company. Each member's tax status, in turn, determines the appropriate income tax for its allocated share of the Company's taxable income or loss. Limited liability companies are subject to a fee-based tax on gross revenue in the State of California, with an annual minimum tax of \$800.

The Company adopted FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements and prescribes

a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. The Company files income tax returns in the U.S. federal jurisdiction and the state of California.

The Company does not have unrecognized tax benefits for the year ended December 31, 2021 and does not expect this to change significantly over the next 3 months. In connection with the adoption of ASC 740, the Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company has not accrued interest or penalties related to uncertain tax positions for the year ended December 31, 2021.

**(i) *Commitments and Contingencies***

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Recoveries of environmental remediation costs from third parties that are probable of realization are separately recorded as assets, and are not offset against the related environmental liability.

**(j) *Comprehensive Loss***

There was no difference between net loss and comprehensive loss for the Company during the reporting period.

**(k) *Fair Value Measurement***

The Company records its financial assets and liabilities at fair value, which is defined under the applicable accounting standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measure date. The Company uses valuation techniques to measure fair value, maximizing the use of observable outputs and minimizing the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

If the determination of fair value measurement for a particular asset or liability is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**(l) Recently Issued Accounting Standards**

FASB ASU 2020-05 “Effective Dates for Certain Entities, Revenue from Contracts with Customers (Topic 606) and Lease (Topic 842)” In June 2020, the FASB issued ASU 2020-05, which amends the effective dates of the Board’s standards on revenue and leasing to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019 (“COVID-19”) pandemic. Specifically, the Board deferred the effective dates for private companies and the deferrals apply only if those entities have not yet issued their financial statements or made financial statement available for issuance as of June 3, 2020. For these entities, the FASB will defer the effective date of ASC 606 to annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. This deferral represents an expansion of the FASB’s proposed effective date deferral for ASC 606, which would have only applied to private franchisors.

FASB ASU 2019-11 “Codification Improvements to Topic 326, Financial Instruments – Credit Losses” – In November 2019, the FASB issued ASU 2019-11, which clarify its new credit impairment guidance in ASC 326 based on implementation issues raised by stakeholders. For entities that have not yet adopted the amendments in ASU 2016-13 as of the issuance date of this ASU, the effective dates and transition requirements for the amendments are the same as the effective dates and transition requirements in ASU 2016-13. For entities that have adopted the amendments in ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this ASU as long as an entity has adopted the amendments in ASU 2016-13. The Company does not expect adopting the ASU to have a material impact on its financial statements and related disclosures.

**(3) Intangible assets, net**

Intangible assets consist of certain start-up expenses incurred and are amortized using the straight-line method over five years. Amortization expenses amounted to \$14,497 for the year ended December 31, 2021.

**(4) Commitments and Contingencies**

The Company entered a non-cancellable operating lease agreement for the office space in January 2020, which expired in January 2022. Rent expense for the year ended December 31, 2021 was \$6,570.

The Company may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the Company is not involved in matters of which the ultimate disposition will have a material adverse effect on the Company's financial position, results of operations, or liquidity.

**(5) Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through March 7, 2022, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.



**MYUNGRANG AMERICA, LLC**

Financial Statements

December 31, 2020

(With Independent Auditors' Report Thereon)

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## **Independent Auditors' Report**

The Members  
Myungrang America, LLC  
Anaheim, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Myungrang America, LLC, which comprise the balance sheet as of December 31, 2020, and the related statements of operation, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**UCMK & Associates**  
3530 Wilshire Blvd. Suite 1510  
Los Angeles, CA 90010

### **Opinion**

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Myungrang America, LLC as of December 31, 2020, and the results of its operation and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**UCMK & ASSOCIATES**

Los Angeles, California

March 1, 2021

**Myungra America, LLC**  
**Balance Sheet as of December 31, 2020**

**Assets**

Current assets:

|                              |               |
|------------------------------|---------------|
| Cash                         | \$ 43,996     |
| Sub-franchise fee receivable | 60,000        |
| Inventory                    | 36,720        |
| Other current assets         | <u>15,015</u> |

Total current assets 155,731

Intangible assets, net 48,322

Other assets 500

Total assets \$ 204,553

**Liabilities and Members' Equity**

Current liabilities:

|                                                |               |
|------------------------------------------------|---------------|
| Deferred sub-franchise fee income              | \$ 60,000     |
| Accounts payable                               | 39,561        |
| Accrued expenses and other current liabilities | <u>15,870</u> |

Total current liabilities 115,431

Security deposits payable 10,000

Total liabilities \$ 125,431

Members' equity:

|                       |                  |
|-----------------------|------------------|
| Members' contribution | 200,000          |
| Accumulated deficit   | <u>(120,878)</u> |

Members' equity 79,122

Commitments and contingencies

Total liabilities and members' equity \$ 204,553

See accompanying notes to financial statements.

**Myungrang America, LLC**  
**Statement of Operation for the year ended December 31, 2020**

|                                |    |                         |
|--------------------------------|----|-------------------------|
| Sales                          | \$ | 4,339                   |
| Cost of sales                  |    | <u>2,840</u>            |
| Gross profit                   |    | 1,499                   |
| Operating expenses:            |    |                         |
| Professional fees              |    | 21,120                  |
| Insurance                      |    | 2,934                   |
| Salaries and wages             |    | 59,850                  |
| Payroll taxes                  |    | 5,153                   |
| Rent                           |    | 5,465                   |
| Amortization                   |    | 14,497                  |
| Other operating expenses       |    | <u>2,893</u>            |
| Total operating expenses       |    | 111,912                 |
| Loss before income tax expense |    | (110,413)               |
| Income tax expense             |    | <u>800</u>              |
| Net loss                       | \$ | <u><u>(111,213)</u></u> |

See accompanying notes to financial statements.

## Myungrang America, LLC

### Statement of Changes in Members' Equity for the year ended December 31, 2020

|                              | <b>Members'<br/>Contribution</b> | <b>Accumulated<br/>Deficit</b> | <b>Total<br/>Members' Equity</b> |
|------------------------------|----------------------------------|--------------------------------|----------------------------------|
| Balance at January 1, 2020   | \$ 200,000                       | (9,665)                        | 190,335                          |
| Net loss                     | —                                | (111,213)                      | (111,213)                        |
| Balance at December 31, 2020 | \$ 200,000                       | (120,878)                      | 79,122                           |

See accompanying notes to financial statements.

## Myungrang America, LLC

### Statement of Cash Flows for the year ended December 31, 2020

|                                                                               |                         |
|-------------------------------------------------------------------------------|-------------------------|
| Cash flows from operating activities:                                         |                         |
| Net loss                                                                      | \$ (111,213)            |
| Adjustments to reconcile net income to net cash used in operating activities: |                         |
| Amortization                                                                  | 14,497                  |
| Changes in operating assets and liabilities:                                  |                         |
| Sub-franchise fee receivable                                                  | (60,000)                |
| Inventory                                                                     | (36,720)                |
| Other current assets                                                          | (14,339)                |
| Other assets                                                                  | (500)                   |
| Deferred sub-franchise fee income                                             | 60,000                  |
| Accounts payable                                                              | 39,561                  |
| Accrued expenses and other current liabilities                                | (44,258)                |
| Security deposits payable                                                     | <u>10,000</u>           |
| Net cash used in operating activities                                         | (142,972)               |
| Cash at beginning of period                                                   | <u>186,968</u>          |
| Cash at end of period                                                         | \$ <u><u>43,996</u></u> |
| Supplemental disclosure of cash flow information:                             |                         |
| Cash paid during the period for:                                              |                         |
| Income taxes                                                                  | \$ 800                  |

See accompanying notes to financial statements.

**(1) Organization**

Myungrang America, LLC (the “Company”) was incorporated in May 2019 for the purpose of franchising and sub-franchising hot dog shops in the United States under the name “Myungrang Hot Dog”, a well-known restaurant chain in Korea. Under a master franchise agreement with Myungrang Sidae, the original franchisor in Korea, the Company has the exclusive right to develop and operate franchised outlets itself or subfranchise Myungrang Hot Dog Shops in California or those of the United States that would not require registration of Myungrang Sidae’s grant to the Company of the master franchise rights or the Company’s grant of sub-franchises. In 2020, the Company granted a sub-franchise to one subfranchisee in the state of California and also entered into sub-franchise agreements with the operators of two shops that had previously been operated in the state of California under unauthorized license agreements with a third party.

**(2) Summary of Significant Accounting Policies****(a) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**(b) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation of deferred tax assets and other contingencies.

**(c) Revenue**

Sub-franchise fees collected from the sub-franchisee are recognized as revenue over the initial term of the sub-franchise agreement which is ten years. Deferred sub-franchise fee income represents the initial sub-franchise fees collected from the sub-franchisees.

Royalty income will be recognized based upon a pre-determined percentage of franchise store sales.

**(d) Advertising Expense**

Advertising costs are expensed as incurred. There was no advertising expense incurred for the year ended December 31, 2020.

**(e) Inventories**

Inventories primarily consist of finished goods and are stated at the lower of cost or market, cost being determined on the weighted average costing method which approximates actual cost.

**(f) Intangible assets, net**

When the Company acquires an intangible asset, it is recorded at acquisition cost (the purchase price of the intangible asset and the costs directly related to the preparation of the asset for its intended purpose). The cost of an intangible asset acquired in a business combination is measured at the fair value of the acquisition date according to the accounting standards for business combinations. Intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives.

**(g) Impairment of Long-lived Assets**

The Company's long-lived assets and other assets (consisting of property and equipment and purchased intangible assets) are reviewed for impairment in accordance with the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, Property, Plant, and Equipment and FASB ASC 205 Presentation of Financial Statements. The Company tests for impairment losses on long-lived assets used in operations whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Impairment evaluations involve management's estimates on asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management which could have a material effect on our reporting results and financial positions. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

As of December 31, 2020, the Company was not aware of any events or changes in circumstances that would indicate that the long-lived assets are impaired.

**(h) Income Taxes**

The Company was formed as a California Limited Liability Company and is not subject to federal income taxes. The Company's taxable income or loss is allocated to each of its members based on the member's ownership interest in the Company. Each member's tax status, in turn, determines the appropriate income tax for its allocated share of the Company's taxable income or loss. Limited liability companies are subject to a fee-based tax on gross revenue in the State of California, with an annual minimum tax of \$800.

The Company adopted FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements and prescribes

a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. The Company files income tax returns in the U.S. federal jurisdiction and the state of California.

The Company does not have unrecognized tax benefits for the year ended December 31, 2020 and does not expect this to change significantly over the next 3 months. In connection with the adoption of ASC 740, the Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company has not accrued interest or penalties related to uncertain tax positions for the year ended December 31, 2020.

**(i) *Commitments and Contingencies***

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Recoveries of environmental remediation costs from third parties that are probable of realization are separately recorded as assets, and are not offset against the related environmental liability.

**(j) *Comprehensive Loss***

There was no difference between net loss and comprehensive loss for the Company during the reporting period.

**(k) *Fair Value Measurement***

The Company records its financial assets and liabilities at fair value, which is defined under the applicable accounting standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measure date. The Company uses valuation techniques to measure fair value, maximizing the use of observable outputs and minimizing the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

If the determination of fair value measurement for a particular asset or liability is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company's financial instruments are composed of cash, advance to affiliate, and advance to stockholder. The fair values of these financial instruments approximate their carrying values due to their short-term maturities.

**(l) Recently Issued Accounting Standards**

FASB ASU 2020-05 "Effective Dates for Certain Entities, Revenue from Contracts with Customers (Topic 606) and Lease (Topic 842)" In June 2020, the FASB issued ASU 2020-05, which amends the effective dates of the Board's standards on revenue and leasing to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019 ("COVID-19") pandemic. Specifically, the Board deferred the effective dates for private companies and the deferrals apply only if those entities have not yet issued their financial statements or made financial statement available for issuance as of June 3, 2020. For these entities, the FASB will defer the effective date of ASC 606 to annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. This deferral represents an expansion of the FASB's proposed effective date deferral for ASC 606, which would have only applied to private franchisors.

FASB ASU 2019-11 "Codification Improvements to Topic 326, Financial Instruments – Credit Losses" – In November 2019, the FASB issued ASU 2019-11, which clarify its new credit impairment guidance in ASC 326 based on implementation issues raised by stakeholders. For entities that have not yet adopted the amendments in ASU 2016-13 as of the issuance date of this ASU, the effective dates and transition requirements for the amendments are the same as the effective dates and transition requirements in ASU 2016-13. For entities that have adopted the amendments in ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this ASU as long as an entity has adopted the amendments in ASU 2016-13. The Company does not expect adopting the ASU to have a material impact on its financial statements and related disclosures.

FASB ASU 2019-12 "Income Taxes (Topic 740)" – In December 2019, the FASB issued ASU 2019-12, which will remove certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim period. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. For non-public entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15,

2022. Early adoption of the amendments is permitted. The Company is currently evaluating the potential impact this standard will have on its financial statements and related disclosures.

**(3) Intangible assets, net**

Intangible assets consist of certain start-up expenses incurred and are amortized using the straight-line method over five years. Amortization expenses amounted to \$14,497 for the year ended December 31, 2020.

**(4) Commitments and Contingencies**

The Company entered a non-cancellable operating lease agreement for the office space on January 16, 2020, which expires in January 2022. Approximate future minimum lease payments under this non-cancellable lease as of December 31, 2020 are:

Year ending December 31:

|                             |    |              |
|-----------------------------|----|--------------|
| 2021                        | \$ | 5,980        |
| 2022                        |    | 500          |
| Total minimum lease payment | \$ | <u>6,480</u> |

The Company may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the Company is not involved in matters of which the ultimate disposition will have a material adverse effect on the Company's financial position, results of operations, or liquidity.

**(5) Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through March 1, 2021, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.

In March 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which includes modifications to the limitation on business interest expense and net operating loss provisions and provides a payment delay of employer payroll taxes during 2020 after the date of enactment. The CARES Act was considered to be enacted in 2020 and the Company is currently evaluating if it will material impact on the Company's financial statements. In March 2020 the World Health Organization declared the global novel COVID-19, outbreak a pandemic. While certain impacts of COVID-19 have been favorable to sale of the Company's products and services, Company cannot at this time predict the specific extent, duration, or full impact that the COVID-19 outbreak will have on its financial condition and operations. The impact of the COVID-19 coronavirus outbreak on the financial performance of the Company may depend on future developments, including the duration and spread of the outbreak and related governmental advisories and restrictions. In addition, the Company could see some limitations on employee resources that would otherwise be focused on our operation, including but not limited to sickness of employees or their families, the desire of employees to avoid contact with large groups of people, and increased reliance on working from home.

## **SUBFRANCHISE AGREEMENT**

**MYUNGRANG KOREAN HOT DOG SHOP SUBFRANCHISE AGREEMENT**

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## MYUNGRANG KOREAN HOT DOG SHOP SUBFRANCHISE AGREEMENT

**THIS MYUNGRANG KOREAN HOT DOG SHOP SUBFRANCHISE AGREEMENT**, dated for reference only as of the \_\_\_\_\_ day of \_\_\_\_\_ 20 (the “Reference Date”), is made and entered into by and between Myungrang America, LLC, a California limited liability company (“we”, “us”, or “our”) and \_\_\_\_\_ (“you” or “yours”) based on the following facts that form the basic premises of the agreement between you and us:

A. Myungrang Sidae Restaurant Youth Cooperative Association, a Korean cooperative association (“MS”) has developed and owns a unique, proprietary batter for Korean-style hot dogs and has also developed and owns a method of preparing and marketing that unique style of deep fried Korean-style hot dogs on a stick with various proprietary and nonproprietary fillings and toppings (individually “Myungrang Korean Hot Dog” and collectively, “Myungrang Korean Hot Dogs”). MS has also developed and owns a method of selling its select menu of Myungrang Korean Hot Dogs and complementary beverages from shops and kiosks in select retail locations that are identified by its unique and proprietary trade name “Myungrang Korean Hot Dog(s)” (the “Myungrang Name”) and both registered and unregistered proprietary trade and service marks that are sublicensed exclusively to MS by the owner (collectively with any additional or different trade or service marks MS may designate at any time, the “Myungrang Marks”). MS’s Myungrang Korean Hot Dog shops are equipped with MS’s selection of equipment and small wares, have its particular layout, and use its proprietary recipes, procedures, techniques, and operating methods (collectively, the “Myungrang Method”) to prepare and sell its proprietary selection of Myungrang Korean Hot Dogs with proprietary and nonproprietary toppings and fillings.

B. MS has developed, operates, and franchises shops and kiosks that prepare and sell Myungrang Korean Hot Dogs and its other select menu items using the Myungrang Method, Myungrang Name, and Myungrang Marks (collectively, “Myungrang Shops” and individually, a “Myungrang Shop”) throughout Asia.

C. Through a Master Franchise Agreement with MS (the “MFA”) we have the exclusive right to use the Myungrang Method and sell Myungrang Korean Hot Dogs and develop, own, and operate and subfranchise others to develop, own, and operate Myungrang Shops in the United States of America and Puerto Rico. We are now developing a system of Myungrang Shops in the United States (the “Myungrang Shop System”).

D. The international reputation and public recognition and acceptance of Myungrang Korean Hot Dogs derives from the fact that they are prepared using proprietary ingredients, recipes, and techniques from shops and kiosks that are identified with the Myungrang Name and Myungrang Marks.

E. Recognizing that you will have to employ the Myungrang Method as modified by us for the American market, use recipes and ingredients designated by us, sell only items on the Myungrang menu, and use the Myungrang Name and Myungrang Marks as required by us, you would like to have the right to develop and operate a subfranchised Myungrang Shop on the terms and conditions in this Subfranchise Agreement.

F. We want to have you develop and operate a Myungrang Shop so long as it is operated in concert with the principles set forth above and in compliance with this Subfranchise Agreement.

**NOW, THEREFORE**, in consideration of the covenants, terms, and conditions in this Subfranchise Agreement, and their performance or fulfillment, we and you hereby agree:

## **1.0 MYUNGRANG NAME, MARKS, AND METHOD SUBLICENSE.**

**1.1 Grant of Sublicense.** We grant you the right to operate a Myungrang Shop at the location described or to be described in Schedule 1 (the “Subfranchise Location”) for the duration of this Subfranchise Agreement, subject to and on all the terms and conditions of this Subfranchise Agreement.

**1.2 No Exclusivity.** We do not grant you any exclusive or protected territory, area, or market or any other territorial rights of any kind. We may operate or sublicense others to operate Myungrang Shops at any location, without regard to proximity to your Subfranchise Location. We may sell or engage or permit others to sell goods and merchandise of any kind (including, without limitation, Myungrang Korean Hot Dogs) at retail or wholesale under the Myungrang Name and/or one or more of the Myungrang Marks and/or any other trademarks or trade names in any channel of trade we choose, including (without limitation) to or through restaurants, wholesale or retail food stores of any sort (including, without limitation, supermarkets, grocery stores, and convenience stores), educational facilities, sports or other entertainment venues, hotels, casinos, mass transit facilities, theme parks, military facilities, movie theaters, in airports, railway stations, bus stations, or other mass rapid transit stations or facilities, through home delivery services, from food trucks, and/or directly to customers anywhere through any other channel of trade, media, or means including through our website. We may acquire or be acquired by, any other person or entity, including (without limitation) any person or entity that operates a food service business or businesses, including (without limitation) businesses that sell hot dogs under a trade name(s) or trademark(s) other than the Myungrang Name and Marks.

## **1.3 Restricted and Required Use.**

**A.** You shall use the Myungrang Name, those Myungrang Marks we designate for your use at any particular time, and the Myungrang Method in connection with the operation of your Myungrang Shop at the Subfranchise Location and solely in connection with the operation of your Myungrang Shop at the Subfranchise Location (the “Subfranchised Business”). Except as permitted by this Paragraph, you may not sell Myungrang Korean Hot Dogs, any other proprietary menu items we designate as part of the menu for your Myungrang Shop, or any other goods or services using the Myungrang Name or any of the Myungrang Marks or prepared using the Myungrang Method (collectively “Myungrang Products”) except at the Subfranchise Location without our prior written consent. You may solicit and accept orders and/or customers from outside the vicinity of your Subfranchise Location, you may use the internet (directly or through a third party delivery service) for that purpose, and you may deliver orders or have orders delivered by a third party delivery service but you must obtain prior written consent from us for any third party delivery service you choose to use. You may not sell any Myungrang Products or any goods prepared or sold at your Myungrang Shop to any person or entity who will resell them (including, without limitation, food wholesalers or retailers). You may not perform any catering using any Myungrang Products without our prior written consent or sell or otherwise supply any Myungrang Products to any charity for resale in any manner.

**B.** You shall adopt and strictly adhere to the Myungrang Method, as we supplement or modify it from time-to-time, in the conduct of your Myungrang Shop and use of the Subfranchise Location. You shall use only the Myungrang Name and those of the Myungrang Marks we

designate at any particular time, without any prefix, suffix, modifier, or other descriptive term, to describe and identify the Subfranchise Location, the Myungrang Products, and your Myungrang Shop. If you at any time operate your Myungrang Shop through an entity, you shall not use all or any part of the Myungrang Name or any of the Myungrang Marks or any derivative of any of them or any similar name in your entity name. You shall not use all or any part of the Myungrang Name or any of the Myungrang Marks or any derivative of any of them or any similar name in any domain name or email address you use or create. All business cards, stationery, and similar items you use shall identify the Subfranchise Location and your Myungrang Shop as a Myungrang Korean Hot Dog subfranchise. You shall display in the Subfranchise Location a notice at least 5" x 5" with the statement: This shop is operated by a subfranchisee.

C. We may require you to modify or discontinue use of any or all of the Myungrang Name and/or Myungrang Marks, and/or use one or more additional or substitute names or marks if we determine modification or discontinuance is necessary or desirable. If we exercise this right, you must replace signs and similar materials and discard packaging, paper goods, other products and merchandise as necessary to comply with this obligation as we require. We will not reimburse you for any costs of modifying or discontinuing use of any or all of the Myungrang Name and/or Myungrang Marks for any reason.

#### **1.4 Protection of Myungrang Name, Myungrang Marks, and Proprietary Information.**

A. You shall do all things necessary to prevent your use of the Myungrang Name and/or Myungrang Marks from diminishing the legal protection granted to the Myungrang Name or Myungrang Marks and shall accompany your use of the Myungrang Name and the Myungrang Marks we authorize you to use with notices appropriate for that purpose. You shall cause to be filed all statements appropriate or necessary to protect our rights in the Myungrang Name and Myungrang Marks in connection with your use of any of them, including (without limitation) assumed or fictitious business name statements.

B. You shall do all things necessary to preserve the confidentiality of the Myungrang Method, the information contained in the Operational Manual for Franchisees of Myungrang America, LLC (the "Operational Manual") and the Recipe Manual for Myungrang Hot Dogs (the "Recipe Manual") described in Section 8.1 (together the "Myungrang Manuals") as supplemented or revised by any later written directive, instruction, notice, or update as we determine appropriate or desirable and deliver to you for that purpose (all of which shall be included in the term "Myungrang Manuals"), and all other proprietary or confidential information, trade secrets, recipes, processes, methods, procedures, formulae, techniques, ingredients, and materials we reveal or provide to you (collectively, the "Other Proprietary Information"). You agree that the Myungrang Method, the Myungrang Manuals, the Other Proprietary Information, and all information we designate as proprietary information shall be presumed to be proprietary information and trade secrets belonging to us except to the extent you conclusively prove that any of that information is in the public domain. You shall not at any time directly or indirectly disclose, divulge, disseminate, display, duplicate, reveal, reproduce, publish, sell, show, or communicate the Myungrang Method, any of the information contained in the Myungrang Manuals, or any of the Other Proprietary Information to any person or entity except as expressly permitted by this Subfranchise Agreement.

C. You may disclose the Myungrang Method, the information contained in the Myungrang Manuals, or any of the Other Proprietary Information only to your employees who have executed our form of Myungrang Nondisclosure Agreement (a "Nondisclosure Agreement") that you have

delivered to us and only to the extent required to permit that employee to perform the duties of his or her employment by you. You shall cause each of your employees who will have access to the Myungrang Method, any of the information contained in the Myungrang Manuals, or any of the Other Proprietary Information to sign a Nondisclosure Agreement that you shall deliver to us before permitting the employee to have access to any part of the Myungrang Method, any of the information contained in the Myungrang Manuals, or any of the Other Proprietary Information.

D. If you are an entity, you shall not disclose or permit any of your officers, directors, managers, shareholders, or members (collectively, “Insiders” and individually an “Insider”) to have access to the Myungrang Method, the Myungrang Manuals, or the Other Proprietary Information unless we have approved in writing disclosure to that Insider and that Insider has signed a Nondisclosure Agreement that has been delivered to us. You shall not disclose any financial or other records of your Myungrang Shop or make any report of the revenue, income, or expenses of your Myungrang Shop to any Insider unless that Insider has signed a Nondisclosure Agreement that has been delivered to us.

E. Nothing in this Subfranchise Agreement or elsewhere shall be construed to give you any right to disclose, duplicate, sublicense, reveal, or sell the Myungrang Method, the contents of the Myungrang Manuals, or any of the Other Proprietary Information to any person or entity except as expressly permitted by this Subfranchise Agreement to your employees or Insiders who have signed a Nondisclosure Agreement.

F. You shall promptly notify us of any infringement of, challenge to, or unauthorized use of the Myungrang Name or any of the Myungrang Marks that comes to your attention. We shall have sole and complete discretion regarding whether to take any action and what action to take in response to any infringement, challenge, or use. We shall have the right, but no obligation, to control any litigation involving the Myungrang Name or any of the Myungrang Marks.

## **1.5 Ownership.**

A. The Myungrang Name, Myungrang Marks, and Myungrang Method and the Other Proprietary Information are, and shall remain, MS’s sole and exclusive property and are merely sublicensed to you for a limited period, on specified terms and conditions, and for limited usage. You shall not register the Myungrang Name or any of the Myungrang Marks with any state or federal agency or anywhere else in the world and shall not seek to obtain a patent on any element of the Myungrang Method.

B. Nothing in this Subfranchise Agreement shall be construed to authorize or permit your use of the Myungrang Name, Myungrang Marks, or Myungrang Method or the Other Proprietary Information for any purpose or at any location other than as described in Section 1.3. Nothing in this Subfranchise Agreement shall give you any right, title, or interest in or to the Myungrang Name, Myungrang Marks, or Myungrang Method, the Other Proprietary Information, or any other names, trademarks, service marks, insignia, symbols, labels, designs, logotypes, copyrighted material, or goodwill now or later owned by or associated with MS or us or the Myungrang Shop System, except a mere sublicense to display and use the Myungrang Name and Myungrang Marks we designate, use the Myungrang Manuals, prepare and sell Myungrang Products, and employ the Myungrang Method for the duration and on the terms and conditions of this Subfranchise Agreement. All goodwill associated with the Myungrang Name and Myungrang Marks, the

Myungrang Method, Myungrang Products, or your Myungrang Shop and all data and information about any supplier to or customers of your Myungrang Shop belongs solely to MS and/or us.

C. You shall not at any time directly or indirectly contest that we, MS, and MS's licensor, as the case may be, own all rights and title to or interest in the Myungrang Name, Myungrang Marks, and Myungrang Method, all Myungrang Products, the Myungrang Manuals, and the Other Proprietary Information or that we, MS, and MS's licensor, as the case may be, have the sole and exclusive right to register, use, and sublicense others to use the Myungrang Name, Myungrang Marks, Myungrang Method, and the Other Proprietary Information.

## **2.0 DURATION, RENEWAL, RELOCATION.**

**2.1 Initial Term.** The term of this Subfranchise Agreement and the subfranchise granted by it shall be 10 years from the date the Subfranchise Location opens to the public for business but no later than the date required by Article 9 (the "Term Commencement Date"). When that date is determined, we and you shall execute a Memorandum of Term Commencement Date substantially in the form of Exhibit A.

### **2.2 Renewal.**

A. Except as provided in this Section, you may renew the subfranchise granted by this Subfranchise Agreement for one additional five year term, but no longer than the period during which you have the continuing right to occupy the Subfranchise Location, by: (i) giving us written notice of the exercise of that right not less than 210 days before the expiration of the existing term of this Subfranchise Agreement; (ii) executing the form of Renewal Subfranchise Agreement we are then offering to renewing subfranchisees of individual subfranchise locations; and (iii) paying us at least 30 days before the expiration of the existing term of this Subfranchise Agreement, in lieu of the initial subfranchise fee in the form of Subfranchise Agreement we are then offering, a \$15,000 renewal fee.

B. Notwithstanding the provisions of Paragraph A, by delivering written notice to you within 30 days after we receive your notice of exercise of the option to renew we may refuse to permit you to renew the subfranchise granted by this Subfranchise Agreement if you have received two or more notices of default during any 12 month period during the existing term of this Subfranchise Agreement or more than 10 notices of default throughout the existing term of this Subfranchise Agreement, whether or not those defaults were cured. If we deliver the notice provided for in this Paragraph your notice of renewal shall be void and of no effect and this Subfranchise Agreement shall expire as if no notice of renewal had been given.

C. You may not renew this Subfranchise Agreement at any time when you have breached and not cured or are in default under this Subfranchise Agreement or any agreement between you and us or MS or any person or entity in which we or MS owns any interest, that owns any interest in us or MS, or that is owned by an entity that owns any interest in MS or us (all, collectively, "Our Affiliates"). If you breach or are in default under this Subfranchise Agreement or any agreement between you and us or any of Our Affiliates at any time after giving notice of renewal and before the first day of the renewal term, we may declare your notice void and of no effect by delivering notice of that declaration at any time before the first day of the renewal term. If we deliver that notice, your notice of renewal shall be void and of no effect and this Subfranchise Agreement shall expire as if your notice of exercise had not been given.

**2.3 Right to Relocate.** If through no fault of your own you lose the right to occupy the Subfranchise Location at any time when the remaining duration of this Subfranchise Agreement is (or would be if you exercised an available option to renew) more than 12 months, you may relocate your Myungrang Shop to another location if: (a) as soon as practicable after you learn that your right to occupy the Subfranchise Location will be terminated but no more than 30 days thereafter, we receive written notice of your desire to relocate your Myungrang Shop; (b) you diligently pursue the selection in accordance (except as to time) with Section 4.1, confirmation as provided in Section 4.2, improvement in accordance (except as to time) with Section 5.1, and preparation in accordance (except as to time) with Section 5.2 of an alternate location for your Myungrang Shop that is not in our opinion too close to an existing Shop; and (c) within 180 days after first learning that the right to occupy the Subfranchise Location will be terminated, you commence operation of your Myungrang Shop at the approved new location in full compliance with Article 4. Upon relocation as permitted by this Section, we and you shall execute an amendment to Schedule 1 setting forth the new location, which shall thereafter be the Subfranchise Location. If you do not relocate your Myungrang Shop as provided in this Section, this Subfranchise Agreement shall terminate and you shall wind up your Myungrang Shop as provided in Article 27. By choosing to relocate the Subfranchise Location, you assume the risk that this Subfranchise Agreement may be terminated as permitted by its terms before, while, or at any time after you relocate.

**2.4 Statutory Notice.** If any statute, law, ordinance, or rule, regulation or requirement of any governmental entity or agency applicable to the Subfranchise Location and/or your Myungrang Shop (collectively, "Applicable Laws") requires that we give you notice before the expiration of the term of this Subfranchise Agreement, if that notice is not given within the required time period this Subfranchise Agreement shall remain in effect until we have given the required notice and the notice period has expired.

### **3.0 SECURITY DEPOSIT; SUBFRANCHISE FEES; ELECTRONIC WITHDRAWALS/PRE-AUTHORIZED CHARGES.**

**3.1 Security Deposit.** When you deliver this Subfranchise Agreement to us, you shall also deliver to us \$5,000 as a security deposit for your complete and timely performance of each and every provision of this Subfranchise Agreement. If you default in performance of any provision of this Subfranchise Agreement or any other agreement between you and us or any of Our Affiliates, we may use all or any portion of the security deposit to (a) cure the default, (b) compensate us for any monies we advance to cure the default, or (c) pay us for any and all damages we suffer or expenses we incur arising out of or related to the default, without prejudice to or waiver of any other rights given us by this Subfranchise Agreement or by law. You shall pay us on demand a sum equal to the portion of the security deposit we expend, use, or apply as permitted by this Section, so as to at all times maintain a \$5,000 security deposit. If any money is or becomes due to us or any of Our Affiliates from you after this Subfranchise Agreement expires or is terminated for any reason, we may use the security deposit to pay that sum. If you are not in default in performance of the provisions of this Subfranchise Agreement or any other agreement with us or any of Our Affiliates on the day this Subfranchise Agreement expires or is terminated, we shall return to you the balance of the security deposit remaining after deducting all sums due us or Our Affiliates within 30 days after the expiration or effective date of termination. Our obligations with respect to the security deposit are those of a debtor and not a trustee. We may commingle the security deposit with our general or other funds and shall not be required to pay you interest on it.

**3.2 Initial.** When you deliver this Subfranchise Agreement to us you shall also deliver to us a \$35,000 initial subfranchise fee. The initial subfranchise fee is fully earned on the date we sign this Subfranchise Agreement and is not refundable except as provided in this Subfranchise Agreement.

**3.3 Royalty.** You shall pay us as provided in this Article on the third day of each calendar month (the "Payment Day") a royalty equal to 4% of your Gross Revenue (as defined in Section 3.4) during the preceding calendar month.

**3.4 Gross Revenue Defined.** Gross Revenue shall include (a) the gross selling price of all goods and services sold, delivered, or performed in or from the Subfranchise Location or using the Myungrang Name or any of the Myungrang Marks, or any part of the Myungrang Method, including (without limitation and whether or not authorized or permitted under this Subfranchise Agreement) the gross amount received for orders taken, originated, accepted, or received elsewhere, including (without limitation) orders placed with third party delivery services, but filled at the Subfranchise Location; orders taken, originated, accepted, or received at the Subfranchise Location but filled, delivered, or performed elsewhere (which shall be subject to the restrictions in Sections 1.3 and 10.1); and goods and services sold at or to fairs, festivals, bazaars, or off-site parties or events (which shall be subject to the restrictions in Sections 1.3 and 10.1); (b) less permitted refunds made to customers; amounts actually paid for sales or excise taxes that were added to the selling price of goods and collected from customers; fees or commissions actually paid to approved third party delivery service providers for orders originating from approved third party delivery service providers; complimentary items provided to your paid employees (which shall not exceed the maximum amount permitted in the latest version of the Operational Manual we have delivered to you); and discounts to select, specially qualified customers we have approved (collectively, "Gross Revenue").

**3.5 Preauthorized Electronic Bank Withdrawals.**

A. Any and all monies payable to us (whether periodic or exceptional) from you shall be made by preauthorized direct electronic withdrawal from your bank account at any time beginning on the day the payment or charge is due (the "due date") and continuing until the entire sum due for the particular payment has been collected in full. You shall execute and deliver to us no more than three business days after our request the most recent form of Automated Payment Authorization we have delivered to you and all authorizations, consents, or other documentation necessary or desirable to affect the preauthorized automated withdrawals and you shall pay all service charges imposed by your bank. If there are not sufficient funds in your bank account to pay sums due to us at any time when we are charging sums electronically as permitted by this Section, we may initiate successive electronic withdrawals at intervals we select until we have received all sums due.

B. If collection of any sum by electronic withdrawal from your bank account requires more than two attempts because there are insufficient funds available in your bank account, you shall pay us all costs of collection, an insufficient funds fee in the amount then set forth in the latest fee schedule we have delivered to you as part of the Operational Manual (the "Fee Schedule"), and interest on the past due sums at the maximum rate then legally permitted for commercial transactions from the due date until we receive full payment, all of which we may collect by electronic withdrawal from your bank account as provided in this Subfranchise Agreement.

C. You shall not at any time make any change in any of your bank accounts or financial institution without giving us at least three business days prior written notice, signing and delivering to us all new or different authorizations or other forms we require, and receiving our written approval.

#### **4.0 LOCATION SELECTION; LEASE TERMS; LEASE.**

##### **4.1 Location Selection.**

A. If the Subfranchise Location is not set forth in Schedule 1 on the Reference Date, within 60 days after the date we deliver to you a counterpart of this Subfranchise Agreement executed on our behalf (the “Effective Date”) you must deliver to us the address of at least one site you propose for your Subfranchise Location and a form of lease, premises layout and schematic, a map of the shopping center, mall, or other site of which the premises are a part, and a comprehensive set of photographs of the proposed site (collectively, the “Site Information”). Within 14 days after we receive the Site Information from you, we will give you written notice whether one or more of the site(s) you proposed meets our basic site selection criteria or notice that we will visit one or more proposed sites. If we make one or more site visits we will complete the site visits and advise you whether the proposed site(s) meet our basic site selection criteria within 10 days after we deliver notice of our intention to visit one or more of your proposed sites. If we visit one or more sites you propose and later terminate this Subfranchise Agreement because you do not open the Subfranchise Location as required, you will reimburse us for our costs related to the site visits. You must sign a lease within 30 days after you receive a confirmation that your proposed site meets our minimum site requirements. If we deliver notice that the site(s) you first propose do not meet our basic site selection criteria, you shall continue diligent efforts to propose and deliver Site Information for one or more other prospective sites for your Myungrang Shop as provided in this Section until we notify you that a site you have proposed fulfills our basic site selection criteria. If you have not selected a Subfranchise Location and received notice that it fulfills our basic site selection criteria within 120 days after the Effective Date, we may terminate this Subfranchise Agreement by delivering notice of termination in which case we will refund the entire security deposit and all but \$2,000 of the initial subfranchise fee you have paid us after you sign and deliver our form of General Release and Covenant Survival Acknowledgment.

B. Our notice that a particular proposed site for the Subfranchise Location fulfills our basic site criteria does not constitute a warranty of the suitability, condition, viability, success, or any other matter pertaining to the Subfranchise Location. You are solely and completely responsible for selecting an appropriate location for your Myungrang Shop that we determine fulfills our basic site selection criteria, obtaining a right to occupy it within the time period provided by this Article, and successfully operating your Myungrang Shop at the Subfranchise Location you have selected.

##### **4.2 Lease Terms; Lease Execution; Power of Attorney.**

A. Any rental agreement, lease, or other agreement, written or oral, giving you the right to occupy the Subfranchise Location (the “Lease”) shall be for a period of not less than five years with at least one five year renewal option and shall contain provisions giving us the rights set forth in the Subfranchise Location Lease Addendum that is Exhibit B.

B. Before you sign any Lease for the Subfranchise Location, you shall deliver to us a complete copy of the proposed final form of Lease. Within 15 business days after our receipt of the proposed final form of Lease, we shall deliver to you written notice that the Lease complies with the requirements of this Subfranchise Agreement (the "Confirmation Notice") or a statement of the Lease terms that require revision (a "Correction Notice"). If we deliver a Correction Notice, you shall deliver a corrected form of Lease to us within five business days after you receive the Correction Notice and the preceding provisions of this Paragraph shall apply to the corrected form of Lease. You shall not sign any Lease until you have received a Confirmation Notice. Within 180 days after the Effective Date, you shall deliver to us one fully signed counterpart original of a Lease and all exhibits and addenda in the form that was the subject of our Confirmation Notice. Within 10 days after we receive the signed Lease, the address of the Subfranchise Location shall be inserted in a copy of Schedule 1 and we and you shall each sign and date a counterpart of that Schedule 1. Concurrently with signing any amendment to the Lease, you will deliver to us one fully signed counterpart original of that amendment.

C. You irrevocably designate, constitute, and appoint us as your attorney-in-fact to do all things necessary or desirable to permit us to succeed to your interest in the Lease upon your default under this Subfranchise Agreement or the Lease and/or to cure any default by you under the Lease if we choose to exercise any of those rights. Whether or not we succeed to your interest in the Lease, you will reimburse us on demand for all sums we spend to cure any default by you under the Lease, with interest at the maximum rate then legally permitted for commercial transactions from the date we spent the monies until reimbursement is received.

## **5.0 LOCATION IMPROVEMENTS; EQUIPMENT; DISCLAIMER OF WARRANTIES; COMMUNICATION DEVICES; BUILDING PERMITS AND LICENSES.**

### **5.1 Plans; Location Improvements.**

A. Promptly after your Lease is signed by you and the landlord, we will give you our standard specifications and you shall (i) obtain from a qualified professional all plans required to obtain any governmental approvals or permits required by Applicable Laws ("Plans") including all required specifications (ours, the landlord's, and any governmental one) for layout, fixturation, equipping, decoration, and signage (collectively, "Specifications"), (ii) obtain all governmental approvals or permits required by Applicable Laws for the construction and improvement of the Subfranchise Location in accordance with the Plans ("Building Permits"), and (iii) cause a qualified, licensed professional to build out and improve the Subfranchise Location in accordance with the Plans and the Lease. You shall obtain from each contractor you engage a certificate evidencing at least \$1,000,000 liability insurance and worker's compensation insurance coverage as required by law, naming you and us as additional named insureds on the liability insurance coverage. We shall consult with and advise you about the Plans and Specifications as you request to the extent reasonably necessary to permit you to fulfill your obligations under this Subfranchise Agreement to furnish, equip, and decorate the Subfranchise Location.

B. Within 90 days after the last of the Building Permits is issued (the "Completion Date") you shall cause the Subfranchise Location to be built out, improved, fixtured, equipped, and furnished in accordance with the Plans, Specifications, Lease, and this Subfranchise Agreement and in compliance with all Applicable Laws (the "Improvements").

C. We may visit the Subfranchise Location and inspect the work being done at any time. When construction, fixturation, equipping, and decoration of the Subfranchise Location are completed, you shall deliver written notice of that fact to us (the "Completion Notice"). Within five business days after we receive the Completion Notice, we may conduct a pre-opening walk through inspection of the Subfranchise Location. If we conduct it, upon completion of any pre-opening walk-through inspection, we shall deliver to you a written list of any aspect of the construction, fixturation, equipping, or decoration of the Subfranchise Location that requires correction or modification to comply with our Specifications (the "Punch List"). You shall correct or modify before the Opening (as defined in Article 9) those items we indicate on the Punch List must be corrected before the Opening and shall correct or modify any other Punch List items no later than 10 days after the Opening. You shall cooperate and cause your contractors to cooperate with us in the conduct of all inspections permitted by this Paragraph and shall cause your contractors to make all adjustments required to cause the work being done to comply with the Plans and Specifications. You shall not at any time construct or cause to be constructed at or on the Subfranchise Location any improvements or structure other than the Improvements.

## **5.2 Interior Decoration; Furnishings, Fixtures, and Equipment.**

A. Before the Completion Date you shall decorate the interior of the Subfranchise Location and acquire and install in the Subfranchise Location in accordance with the Plans and Specifications all furnishings, fixtures, equipment and other improvements required by this Subfranchise Agreement or described in the latest version of the Operational Manual we have delivered to you, as modified by the Plans and Specifications (collectively, the "FFE"), all of which shall be obtained from suppliers we designate or approve, if any, and be of brands we designate or approve, as the case may be, if any, and any or all of which may be or include items and/or brands available only from us or any of Our Affiliates. To the extent you request, we shall assist you in making initial contact with suppliers of the FFE with whom we do business. If you are unavoidably delayed in or prevented from installing any or all of the FFE because of any unavoidable delay in delivery of supplies, material, or FFE; labor action; power failure; government action; emergency declared by an governmental entity or agency; act of war or terrorism; or natural disaster (collectively, "force majeure"), the time you have to fulfill your obligations under this Paragraph shall be extended for a period equal to the period of that unavoidable delay or prevention.

B. You shall not encumber or grant any lien against any of the FFE without our prior written consent. You shall not at any time remove or replace any of the FFE or alter the interior decoration or appearance of the Subfranchise Location except as required or permitted by this Subfranchise Agreement. You shall maintain the interior decoration of the Subfranchise Location in good, clean, sanitary condition and maintain all FFE in good repair and working order and clean and sanitary condition at all times.

**5.3 Disclaimer of Warranties.** All claims of an express or implied warranty arising out of or related to your purchase or use of any of the FFE or any small wares described in Article 6 are made by the manufacturer only. We do not make and **expressly disclaim** any warranties arising out of or related to your use or purchase of any of the FFE or small wares, including (without limitation) **any warranty of merchantability or fitness for a particular purpose.**

**5.4 Communication Devices and Lines; Telephones.** Before the Completion Date you shall have installed in the Subfranchise Location and you shall maintain in the Subfranchise Location

and upgrade as we require throughout the term of this Subfranchise Agreement the number and type of telephone lines, data lines, internet connections (including, without limitation, a business quality wireless internet connection capable of handling the data from your point of sale equipment), and other communications and data storage and/or transmission facilities and devices devoted solely to your Myungrang Shop designated in the latest Communication Device List we have delivered to you as part of the Operational Manual, all of which shall be included in the term FFE.

**5.5 Operating Permits and Sublicenses.** No more than five days after the Completion Date, you shall obtain all permits, sublicenses, and registrations required by Applicable Laws for the occupancy, use, and conduct of your Myungrang Shop at the Subfranchise Location.

## **6.0 UNIFORMS; SMALL WARES; OPENING INVENTORY.**

**6.1 Uniforms.** No more than five days after the Completion Date you shall obtain from the supplier we designate, which may be or include only us or one of Our Affiliates, the branded uniform components described in the Operational Manual.

**6.2 Small Wares.** No more than five days after the Completion Date you shall cause the Subfranchise Location to be stocked with the small wares described in the latest Small Wares List we have delivered to you as part of the Operational Manual (the “Small Wares”). You shall acquire the Small Wares from a supplier we designate, which may be or include only us or one of Our Affiliates. To the extent you request, we shall assist you in making initial contact with the designated suppliers of the Small Wares. You shall at all times during the term of this Subfranchise Agreement cause the Subfranchise Location to be equipped with all the Small Wares described in the latest Small Wares List we have delivered to you as part of the Operational Manual.

**6.3 Opening Inventory.** No more than five business days after the Completion Date you shall cause the Subfranchise Location to be stocked with the products, ingredients, and supplies required by this Subfranchise Agreement or described in the latest Inventory List we have delivered to you as part of the Operational Manual (the “Inventory”). You shall acquire the Inventory from the suppliers we designate, which may be or include only us or one of Our Affiliates. To the extent you request, we shall assist you in making initial contact with any designated supplier of Inventory.

## **7.0 TRAINING AND OPERATING ASSISTANCE.**

### **7.1 Mandatory Initial Training.**

A. One month before the anticipated Opening we shall provide without additional charge training for up to two persons who will work in and operate your Shop, including you if you are an individual or if you are an entity a person who owns at least 50% of your equity (the “Owner-Operator”), the person you have designated to be the on-site manager required by Section 15.1 (who may be you or your equity owner), or a member of your kitchen staff, each of whom has executed a Nondisclosure Agreement. The two trainees must be trained simultaneously and satisfactorily complete at least 13 hours of training over a period of two to three days for up to eight hours each day, but which may not be consecutive to allow for both training at a training facility as defined below and training at your Subfranchise Location immediately before the Opening, all as we determine is best under the particular circumstances. Your trainees

shall attend training at training facilities we designate, which may be a Myungrang Shop location owned by us, one of Our Affiliates, or one of our subfranchisees or a training center we own (each a “training facility”) and at the Subfranchise Location. We will cause all training that is conducted at a training facility to take place at the training facility nearest to your Subfranchise Location that is available, staffed, and equipped to provide the training.

B. If at any time, in our sole discretion we determine that one or more of your trainees requires and would benefit from additional pre-Opening training, we shall provide that training, you shall pay us in advance for it the training fee and charges in the Fee Schedule, and those of your trainees we designate shall attend and satisfactorily complete the additional training for the period we designate and you shall compensate those employees during the training period as required by Applicable Laws. We designate the curriculum, dates, hours, and duration of the training courses described in Paragraph A and this Paragraph, but we shall cause the training described in Paragraph A to commence one month before the anticipated Opening.

C. If at any time during or upon completion of training we in our sole discretion determine that you or your Owner-Operator and/or Shop Manager cannot demonstrate satisfactory ability to manage and/or operate your Myungrang Shop, we may (i) require you to (a) employ an interim manager we select (who may be our employee) to manage operation of your Myungrang Shop until you hire a new Shop Manager who satisfactorily completes the required training, and (b) appoint another Shop Manager within 15 days after we deliver notice of our determination and have that Shop Manager trained as described in Paragraph A at your expense; or (ii) terminate this Subfranchise Agreement, in which case the provisions of Article 27 shall apply and within five business days after you sign and deliver to us our form of General Release and Covenant Survival Agreement we shall refund to you all but \$2,000 of the initial subfranchise fee you have paid us. You shall pay us in advance for any training required as provided in this Paragraph the training fee and charges in the Fee Schedule.

## **7.2 Additional Periodic Training.**

A. By delivering at least 10 days prior written notice to you, we may at any time require that one or more of the managerial employees working at the Subfranchise Location whom we designate participate in up to two hours of additional, supplemental, or refresher training related to the duties of his or her particular job at a location we designate, which maybe the Subfranchise Location. You shall pay us for that additional training at least five days before it begins the training fees and charges in the Fee Schedule.

B. If we determine it is necessary, we shall provide and your Shop Manager and/or those of your managerial employees we designate shall satisfactorily complete up to two annual refresher courses of not less than eight hours during any 12 month period. We will designate the curricula, dates, duration, hours, and location or locations of the courses not less than 30 days in advance of the course date.

**7.3 Attendees and Attendance.** We may simultaneously train some or all of the persons this Article requires or permits us to train and the trainees of one or more other Myungrang subfranchisees. You shall cause your trainees to attend all training required by this Article and shall be responsible for all travel, lodging, food, compensation (including, without limitation, overtime as required by applicable wage and hour laws), and benefits for your employees throughout all training periods. We shall not have any responsibility whatsoever for payment

of any expenses, costs, or losses you, your owners, or your trainees or employees incur in connection with trainee attendance at any training described in this Article, regardless of whether the trainee successfully completes the training.

**7.4 Elective Additional Training.** At any time during the term of this Subfranchise Agreement when you are not in default and have not breached this Subfranchise Agreement, we shall provide any training in the operation and management of your Myungrang Shop you request for yourself, your Shop Manager, or any of your managerial employees who have executed and delivered to us a Nondisclosure Agreement. We shall designate the dates, hours, and location or locations of the training described in this Section, but payment of the training fee and charges in the Fee Schedule must be made five days before training begins. We shall refund all or any part of the training fee and charges deposited in advance, less all out of pocket expenses we incurred, if you give us at least 48 hours advance notice of the cancellation of all or any part of training you requested. We shall not have any responsibility whatsoever for payment of any expenses, costs, or losses you, your owners, or your employees incur in connection with trainee attendance at any training described in this Section.

**7.5 Field Assistance.** A Myungrang franchise representative may visit the Subfranchise Location, with or without notice, periodically to inspect the Subfranchise Location and your operation of your Myungrang Shop and consult with you regarding the operation of your Myungrang Shop. You shall cooperate and shall cause your employees to cooperate with our representative in any inspections and provide information and access to all parts of the Subfranchise Location, the FFE, all Food Products and Ingredients (as defined in Section 10.2A), all inventory and supplies, and all books and records pertaining to your Myungrang Shop as our representative requires.

**7.6 Emergency Assistance.** If you have an operational emergency that threatens immediate interruption of the conduct of your Myungrang Shop (an "Emergency") any weekday before 9:00 p.m. Pacific Time, you shall leave a voicemail message on the cellular telephone of the Myungrang franchise field representatives marked urgent (collectively, the "Emergency Contact"), and the representative will use his or her best efforts to respond within 60 minutes. If you have an Emergency at any other time, you shall make the Emergency Contact and a representative will use his or her best efforts to respond within 24 hours. If you use the Emergency Contact on two occasions that do not involve an Emergency, you shall pay us on demand the emergency response fee then set forth in the Fee Schedule for each subsequent Emergency Contact that does not involve an Emergency.

## **8.0 MYUNGRANG MANUALS.**

### **8.1 Myungrang Manuals.**

A. We shall deliver to you in the medium or media we select (which may be, include, or be changed to print, video, audio, and/or electronic media or some combination of them), and supplement as provided in Section 1.4B, confidential and/or proprietary physical plant specifications and layout; design, interior decoration, trade dress, and appearance criteria and specifications; small wares, furniture, fixtures, and equipment descriptions, specifications, brands, and designations; ingredient, foodstuff, product, good, and supply specifications, brands, and designations; recipes; menus; lists of designated, suggested, and approved suppliers; the Fee Schedule; and other rules, regulations, standards, specifications, lists, policies, procedures, instructions, directions, and guidelines for the outfitting, appearance,

supply, and operation of the Subfranchise Location and Subfranchised Business, all of which together comprise the Myungrang Manuals. We may initially deliver the Myungrang Manuals in installments appropriate to the progress of the selection, development, and improvement of the Subfranchise Location.

B. The one copy of the Myungrang Manuals we deliver to you shall be loaned to you for a term commencing on the day we first deliver any part of it to you and ending on the day the term of this Subfranchise Agreement expires or is terminated. We may supplement, modify, amend, delete, or add to the rules, regulations, standards, procedures, instructions, specifications, and other materials in the Myungrang Manuals periodically as we consider necessary or appropriate, so long as no modification materially diminishes your rights under this Subfranchise Agreement. You shall store and maintain any print copy of the Myungrang Manuals we deliver in the binder we provide and shall store any part of the Myungrang Manuals that is delivered or stored electronically in a password protected directory only on a computer or other electronic device used for your Myungrang Shop.

C. If your copy of the Myungrang Manual is lost or damaged so that any portion of it cannot be accessed or used, we will deliver to you a replacement copy within five business days after we receive your written certification of the loss or damage and the cause of it.

**8.2 Compliance with Myungrang Manuals.** To protect the goodwill and reputation of the Myungrang System for the mutual benefit of MS, us, you, and all Myungrang subfranchisees by assuring the quality of the operation of your Myungrang Shop and the Myungrang Products, you shall operate your Myungrang Shop in strict compliance with and abide by, conform to, and comply with the rules, regulations, standards, procedures, policies, guidelines, instructions, directions, and specifications in the latest version of the Myungrang Manuals we have delivered to you.

**8.3 Ownership and Protection.** The Myungrang Manuals belong to us and shall remain in your possession and be used by you only during the term of this Subfranchise Agreement. You shall keep the Myungrang Manuals in the Subfranchise Location at all times in a location and manner secure from access by any person except as expressly permitted by this Subfranchise Agreement to your Insiders or employees who have executed a Nondisclosure Agreement. You shall not duplicate or permit any other person to duplicate in any way or medium any part of the Myungrang Manuals and shall not at any time, directly or indirectly, disclose, disseminate, display, reveal, reproduce, publish, sell, show, or communicate to any person or entity any of the contents of the Myungrang Manuals except for disclosure (but not reproduction or duplication in any manner) of the Myungrang Manuals as expressly permitted by this Subfranchise Agreement to your Insiders or employees who have executed a Nondisclosure Agreement.

## **9.0 OPENING.**

You shall open the Subfranchise Location for business no later than the second Tuesday after the Completion Date but not more than six months after you take possession of the Subfranchise Location (the "Opening"). If you are unavoidably delayed in or prevented from completing any of your duties under this section within the time provided because of any force majeure, the opening date shall be extended for a period equal to the period of that unavoidable delay or prevention.

## **10.0 USE; PRODUCTS AND SUPPLIES; MENU ITEMS.**

**10.1 Use; Compliance with Laws; Off Premises Services.** You shall use the Subfranchise Location only to operate a Myungrang Shop in accordance with this Subfranchise Agreement and the Myungrang Manuals. You shall not install in the Subfranchise Location any automated teller, gumball, candy, or other vending or dispensing machines of any sort or any video display, video or other game, lottery, or gaming machines or devices. Throughout the term of this Subfranchise Agreement, you shall comply with all Applicable Laws, all solely at your own cost and expense. You shall not perform or provide any Subfranchised Business services or Myungrang Products at any location other than the Subfranchise Location without our prior written consent.

## **10.2 Products, Ingredients, and Supplies.**

A. To protect the goodwill and reputation of the Myungrang System for the mutual benefit of MS, us, you, and all Myungrang subfranchisees by assuring the quality and uniformity of all menu items prepared and sold at the Subfranchise Location, all foodstuffs, beverages, and similar items (individually a “Food Product” and collectively “Food Products”) you purchase for use or sale at the Subfranchise Location and all ingredients used in the preparation of Myungrang Products (“Ingredients”) shall be of brands and/or obtained from suppliers we periodically designate or approve (which may include or be only us or any of Our Affiliates) and shall meet all quality requirements we establish periodically. All menu items shall be prepared, served, and sold in strict compliance with our standards, practices, recipes, and packaging requirements and, unless we approve or designate use of some other description or brand name, shall be referred to as Myungrang Products. We shall deliver to you as part of the Operational Manual and periodically deliver updates of a list of approved brands and designated or suggested suppliers for your Myungrang Shop (the “Brand and Supplier List”).

B. You shall acquire solely from us or any producer and/or supplier licensed by MS or sublicensed by us to provide them (which may be any of Our Affiliates) any Food Products, Ingredients, or equipment employing or based upon secret or proprietary blends, techniques, recipes, formulae, formulations, or designs and shall use only those Food Products, Ingredients, and/or items of equipment in the preparation of the menu items we designate and only for the preparation of those items. You shall not at any time attempt to or permit or engage any other person or entity to attempt to identify the ingredients, contents, or components of, reproduce, duplicate, simulate, or replicate any proprietary Food Product, Ingredient, product, recipe, formula, formulation, or equipment we or any of Our Affiliates own. You shall participate in any product and/or service test marketing we choose to conduct in an area that includes the Subfranchise Location.

C. All forms of menus and paper goods and other supplies you use in your Myungrang Shop shall meet any specifications we periodically establish and shall bear a clear and accurate representation of the Myungrang Name and/or the Myungrang Marks you are authorized to use if we so specify. If we require, you shall obtain menus, paper products, and supplies bearing the Myungrang Name and/or any of the Myungrang Marks you are authorized to use from suppliers we designate or approve, which may be or include only us or any of Our Affiliates. We shall include in the Operational Manual a Brand and Supplier List of designated or suggested suppliers.

D. If at any time no approved brand and no specifications are contained in the Brand and Supplier List for a particular Food Product, Ingredient, paper good, or supply, you may use any brand or supplier of the Food Product, Ingredient, paper good, or supply you choose to use and so long as the quality meets our subjective quality standards.

**10.3 Menu Items.** You shall produce or carry and sell at the Subfranchise Location all items on the latest menu list we have given you for your Myungrang Shop ("Your Menu"). In addition to menu items that are standard for Myungrang Shops as set forth on the menu list in the latest version of the Operational Manual we have delivered to you, we may permit or require you to prepare and/or serve at the Subfranchise Location any beverages and/or food products specific to the neighborhood, region, or other geographical area of your Subfranchise Location. You shall not produce, dispense, or sell at the Subfranchise Location any food, beverages, products, goods, wares, or merchandise not included on Your Menu without our prior written consent. We may add, eliminate, or change items on Your Menu by giving you at least 15 days written notice of those changes.

**10.4 Adequate Stock.** You shall keep on hand at the Subfranchise Location a stock of Food Products, Ingredients, paper goods, and supplies sufficient to meet the reasonably anticipated needs of your Myungrang Shop and to serve all items on Your Menu at all times.

**10.5 No Benefits.** You shall not have any right to or interest in any rebates, bonuses, discounts, or other consideration we or Our Affiliates receive on account of or based in whole or in part on any purchases made by you, us, and/or Myungrang subfranchisees or sublicensees in general. We may in our discretion pass on to some or all Myungrang subfranchisees all or any portion of any rebates, bonuses, discounts, or other consideration we or Our Affiliates secure from one or more suppliers.

## **11.0 MAINTENANCE; REFURBISHMENT; ADDITIONAL OR REPLACEMENT FFE.**

**11.1 Maintenance, Repair, and Replacement.** You shall keep the Subfranchise Location and all improvements to it, including (without limitation) interior decoration, FFE, signs, menu boards, storefronts, plumbing, wiring, windows, glass, doors, any separate heating and air conditioning system, interior and exterior walls, and any other Improvements in clean, sanitary condition and good repair. You shall perform regular maintenance and upkeep, and paint as necessary. You shall promptly repair any damage to, deterioration of, or wear to the Subfranchise Location, the Improvements, any of the FFE, signs, menu boards, plumbing, wiring, windows, glass, doors, heating or air conditioning systems, and interior or exterior walls on or in the Subfranchise Location, and promptly make replacements as necessary. If any of the FFE becomes obsolete or is worn out or damaged so that it does not function optimally and cannot be repaired, you shall replace that FFE with a brand we have approved at that time that meets the Specifications in the latest version of the Operational Manual we have delivered to you.

**11.2 Refurbishment.** By delivering written notice to you no more frequently than every 60<sup>th</sup> month of the initial term of this Subfranchise Agreement, we may require that you must refurbish, renovate, and remodel the Subfranchise Location at your own expense to cause it to comply with the layout, design, appearance, trade or service mark usage, and specifications we have then established for new Myungrang Shops (the "Refurbishment Notice"). Refurbishment shall include, to the extent we deem necessary (but without limitation), replacement of signs; changes in layout, trade dress or appearance, murals, posters, menu

boards, and FFE; interior or exterior painting; and other similar undertakings (collectively, "Refurbishment"). If we require in the Refurbishment Notice, you shall perform the Refurbishment in conformity with plans and specifications we have approved in writing. Refurbishment shall be completed to our satisfaction within 90 days after you receive Our Refurbishment Notice; provided, however, if a force majeure unavoidably delays you from completing the Refurbishment on time, the time in which you may complete the Refurbishment shall be extended for a period equal to the period of that unavoidable delay or prevention.

**11.3 Additional or Replacement FFE.** Upon receipt of notice from us at any time more than 15 months before the date on which the renewal term of this Subfranchise Agreement would expire if the right to renew were exercised, you shall acquire and install in the Subfranchise Location within the period we designate all replacement or additional furnishings, fixtures, or equipment we designate (including, without limitation, fixtures or equipment required to prepare and/or serve any item we add to Your Menu), so long as the cost of doing so does not exceed 3% of your Gross Revenue during the preceding calendar year. All replacement or additional fixtures or equipment installed as required by this Article shall become part of the FFE.

**11.4 Remedy.** If you do not comply with the provisions of this Article and do not cure that noncompliance within 10 days after you receive our notice of noncompliance, we and/or our representatives may enter the Subfranchise Location and clean, paint, perform Refurbishment, make repairs, renovate, remove alterations, make replacements, and/or install additional FFE as required by this Article. You shall pay us on demand all charges we incur for that work and FFE, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until we receive reimbursement.

## **12.0 RECORDKEEPING; SECURITY; REPORTS; INSPECTIONS AND AUDITS.**

**12.1 Point of Sale System.** You shall acquire from the supplier we designate (which may be or include only us or any of Our Affiliates) and use only in the Subfranchise Location and for your Myungrang Shop the electronic point of sale system we designate (the "Point of Sale System"). You shall enter on the Point of Sale System all transactions that would be included in Gross Revenue (including, without limitation, all revenue from sales delivered by a third party delivery service) and all bookkeeping and accounting records, financial statements, and reports you maintain or prepare (collectively, the "Business Database"), so as to create a complete and accurate record on the Point of Sale System of each individual sale, a cumulative total of all Gross Revenue and all components of or deductions from Gross Revenue, and all transactions, expenditures, and income of your Myungrang Shop.

**12.2 Computer System and Business Database.** You shall obtain and maintain any office computer operating system, hardware, monitor, printer(s), and software (collectively, the "Computer System") we designate or approve in the latest version of the Operational Manual we have delivered to you, using any accounting, bookkeeping, word processing, and other software we designate in the latest version of the Operational Manual we have delivered to you. All bookkeeping and accounting records, financial statements, and reports shall be on the form (if any) specified in the latest version of the Operational Manual we have delivered to you, conform to the standards, forms, and requirements in the latest version of the Operational Manual we have delivered to you, and be electronically accessible to us at all times.

**12.3 Updating and Replacement.** You shall update and/or replace the Point of Sale System and/or the Computer System software or hardware as and when we require, so long as the cost of updating or replacement of the Point of Sale System and Computer System in any calendar year does not exceed 3% of your Gross Revenue in the prior calendar year.

**12.4 Data Security.** You shall at all times employ current state of the art devices and practices to protect the security of all data on the Point of Sale System or in the Business Database from unauthorized access, including (without limitation) installing firewalls, virus protection software, and using high protection passwords. Within two hours after you learn of any breach of the Point of Sale System or Business Database you shall deliver notice to us by email to the email address listed in the latest version of the Operational Manual we have delivered to you and by calling our main office telephone number.

**12.5 Gross Revenue Report.** On the Payment Day, you shall deliver to us electronically a Gross Revenue report on the form specified in the latest version of the Operational Manual we have delivered to you, covering the preceding calendar month, including a copy of every document received from or sent to a third party delivery service so that all sales made through and all charges incurred for a third party delivery service will be reflected in documentation delivered to us. If you do not deliver any Gross Revenue report as and when required by this Section, in addition to all other remedies available to us, we may compute your Gross Revenue for that period from Your Records as defined in Section 12.8 or any other source we determine is reasonable and you shall pay us on demand or we may electronically withdraw from your bank account as provided in Section 3.5 all funds payable based on that computation, which shall be conclusively presumed to be your Gross Revenue for that period and shall not be subject to reduction for any reason but may be subject to increase if a subsequent audit shows your Gross Revenue was understated in the any report to us.

**12.6 Other Periodic Reports.** On or before the dates we have designated in the latest version of the Operational Manual we have delivered to you, you shall deliver to us electronically the reports for the periods we have designated in the latest version of the Operational Manual we have delivered to you, all of which shall be for the appropriate period and on and in the form specified in the latest version of the Operational Manual we have delivered to you. Within 30 days after the end of each calendar year, you shall deliver to us electronically a profit and loss statement and balance sheet for your Myungrang Shop for the preceding calendar year on the form we have specified in the latest version of the Operational Manual we have delivered to you. All reports, profit and loss statements, and balance sheets shall be prepared in accordance with generally accepted accounting principles consistently applied from applicable period to applicable period and certified by you or your chief executive or financial officer to be true, correct, and complete.

**12.7 Sales Tax Returns; Other Reports.** You shall deliver to us on or before the 25th day of each calendar month a copy of all sales tax returns, occupation tax reports, and other similar returns or reports prepared by you or on your behalf for the preceding calendar month. You shall deliver to us within five days after you receive it a copy of any report or statement of earnings, sales, or receipts, profit and loss statement, balance sheet, cost accounting, report of audit, and any other document reporting, summarizing, compiling, or projecting the gross or net income, sales, profits, expenses, or costs of your Myungrang Shop or the Subfranchised Business prepared by, for, or on behalf of you or at your request.

**12.8 Books and Records.** You shall keep at the Subfranchise Location at all times during the term of this Subfranchise Agreement complete books of account, records, ledgers, receipts, check records, and all other documentation of the Gross Revenue, receipts, and expenses of your Myungrang Shop or the Subfranchised Business in the form and medium specified in the latest version of the Operational Manual we have delivered to you, including (without limitation) the Business Database; records of cash receipts; sales tax returns and statements; payroll records; cancelled checks; invoices; bank statements for all accounts into which any of the Gross Revenue or the receipts from the Subfranchised Business or your Myungrang Shop are deposited or out of which any expenses of the Subfranchised Business or your Myungrang Shop are paid; federal, state, and local income tax returns for the Franchised Business; and all other records or reports you used to record, compile, account for, or report cash flow, expenses, gross or net income, or gross or net revenue or sales (collectively, "Your Records") for the preceding three years. You shall retain Your Records for at least the three prior calendar years in your possession throughout the term of this Subfranchise Agreement and shall retain in your possession for at least three years after the expiration or termination of this Subfranchise Agreement Your Records for the three calendar years immediately before the expiration or termination of this Subfranchise Agreement. You expressly waive any privilege not to disclose income tax returns.

**12.9 Our Business Database Access; Inspections and Audits; Penalties.**

A. You shall at all times provide us electronic access to every part of the Point of Sale System, the Business Database, and the Computer System through the mode or medium we designate in the latest version of the Operational Manual we have delivered to you, and permit us and our designee to poll, retrieve, and/or upload to our servers the Point of Sale System, the Business Database, any information on the Computer System, and/or information and data from any or all of them at any time and review, extrapolate, copy, and/or reproduce in any medium, or print all information on any or all of them. You shall not at any time change the access number, password, or other means or requirement for access to the Point of Sale System, the Business Database, or the Computer System without giving us at least three business days prior written notice of the change and the new information necessary to access the Point of Sale System, Business Database, and Computer System.

B. Our representatives may inspect and copy the contents of Your Computer System, inspect, copy, and/or audit any or all of Your Records, and inspect and/or audit your cash register totals and/or inventories at any time during the term of this Subfranchise Agreement and for three years after the expiration or termination of that term, but not more than once each 12 month period unless a prior audit has shown a discrepancy, deficiency, or omission between actual and reported Gross Revenue. You shall make Your Computer System and Your Records available to us at the Subfranchise Location, by remote access, or deliver Your Records to us on demand at a location we designate, whoever we choose, without any prior notice of any kind, and shall cooperate with us and our representatives in the conduct of any inspection and/or audit. You shall pay us on demand, and we may withdraw electronically as provided in Section 3.5, any deficiency in payments of any kind or nature you have made to us revealed by any audit conducted by us or on our behalf, with interest at the maximum rate then legally permitted for commercial transactions from the due date until we receive payment. If any audit we conduct indicates that your Gross Revenue was understated by 2% or more in any report or statement used as the basis for computing your Gross Revenue, you shall pay us on demand, and we may withdraw electronically as provided in Section 3.5, all expenses we incurred in connection with

the audit and collection of the past due royalties, including (without limitation) accountant's and attorneys' fees, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the expenses until reimbursement is received.

C. We may install a field auditor or auditors at the Subfranchise Location at any time to monitor your Gross Revenue by observing and noting all sales transactions taking place at or from the Subfranchise Location, with or without identifying that auditor to you. If the field auditor's monitoring reveals actual weekly Gross Revenue during any two week period (the "Audit Period") of 10% more than the average weekly Gross Revenue you reported during the preceding three month period (the "Measuring Period"), you shall pay us on demand, and we may withdraw electronically as provided in Section 3.5, an additional royalty for the Measuring Period in an amount equal to the difference between the average amount of weekly Gross Revenue made during the Audit Period as shown by our field auditor's monitoring and Gross Revenue reported for each week of the Measuring Period, plus interest on the additional royalty at the maximum rate then legally permitted for commercial transactions from the last day of the week of the Measuring Period for which the additional royalty is payable until the date we receive it.

**12.10 Failure to Provide Access, Keep Records, or Make Reports.** If you do not provide us access, maintain records (including, without limitation, the information required to be in your Business Database), or furnish any report or statement as required and in the time specified in this Article, in addition to all other remedies provided by this Subfranchise Agreement or Applicable Laws, after giving you no less than five days notice of our intention to do so, we may appoint a certified public accountant to inspect and audit the Point of Sale System, Business Database, Your Records, Your Computer System, and/or your Myungrang Shop and prepare a statement of your Gross Revenue that shall be conclusive on you. You shall pay us on demand, and we may withdraw electronically as provided in Section 3.5, all royalties that audit shows to be due to us and all charges we incurred in connection with the audit, preparation of the statement, and collection of past due royalties, including (without limitation) accountant's and attorneys' fees, plus interest on all the past due fees and all charges we incurred at the maximum rate then legally permitted for commercial transactions from the date the monies were due or we paid the charges, respectively, until payment is received.

**12.11 Publication, Confidentiality, and Use of Sales, Earnings, and Profits.** We and MS may use your gross and/or net revenue, expenses, income, earnings, and profits in any gross or net revenue or sales, earnings, or profits projections, forecasts, or reports in any disclosure document, earnings projections, or reports to subfranchisees or others we or MS prepares or have prepared, and may identify the Subfranchise Location as a subfranchise location on which those projections, forecasts, and reports are based. You shall not discuss your sales, earnings, profits, income, or expenses with any person other than our employees or representatives, your accountant, attorney, and business advisors, any Insider as permitted by Section 1.4E, and any person with whom we give you permission to discuss some of all of that information.

### **13.0 NONCOMPETITION.**

**13.1 Noncompetition.** Recognizing that (a) the Myungrang Method (i) is a unique product development and preparation method and business operating system in which MS, we, and Our Affiliates have invested many years of research and development and (ii) involves the use of proprietary recipes, techniques, methods, and practices we must protect in order to preserve its core value for all of our subfranchisees, (b) we could not protect the Myungrang Method

against unauthorized use and would not provide training in it or reveal the Myungrang Method or the contents of the Myungrang Manuals if you or any of your Insiders, any person or entity in which you own any interest or which owns any interest in you or that is owned by an entity that owns any interest in you ("Your Affiliates"), your Shop Manager, or those of your employees who will be trained in the Myungrang Method or have access to the Myungrang Manuals were to operate or be employed by a competing business, and (c) a material part of the consideration we receive for the obligations we undertake and the rights we grant in this Subfranchise Agreement is the assurance that there will be no such competition and no risk of the unauthorized use of the Myungrang Method, the Myungrang Manuals, the Other Proprietary Information, or any of our other trade secrets in a competing business, you agree that:

a. Neither you, any of your Insiders, your Shop Manager, nor any of Your Affiliates or the officers, directors, managers, shareholders, members, partners, or owners of Your Affiliates or any others in direct or indirect concert or participation with you, your Insiders, your Shop Manager, Your Affiliates, or the officers, directors, managers, shareholders, members, partners, or owners of Your Affiliates (all the foregoing, collectively, "Your Interested Parties") shall directly or indirectly (i) own any interest in, be employed by, provide advice or consultation to, or operate any other food service facility or business that specializes in the sale of hot dogs or operates any retail food facility substantially similar to your Myungrang Shop or (ii) have any interest in any entity that directly or indirectly does any of those at any time during the term of the Subfranchise Agreement without our prior written consent; and

b. For three years following the expiration or termination of this Subfranchise Agreement, neither you, your Shop Manager, any of Your Affiliates, nor any of Your Interested Parties shall (i) directly or indirectly own any interest in, be employed by, provide advice or consultation to, or operate any food service facility or business that specializes in the sale of hot dogs or operates any retail food facility substantially similar to your Myungrang Shop or (ii) have any interest in any entity that does any of those, without our prior written consent. To obtain our consent as required by this Section, you shall prove that the proposed activity will not involve or create a risk of use of any of the Other Proprietary Information, any trade secret, proprietary information, or other benefit obtained from us or involve any unfair competition with MS, us, Our Affiliates, or our subfranchisees. The limitations in this Section shall not apply to a purely passive investment of no more than 5% of the total equity interest in any entity.

**13.2 TRO; Injunction.** Because compliance with the restrictions in this Article is vital to prevent immediate and irreparable injury, loss, and damage to the Myungrang System, our other subfranchisees, and us, you consent to will not oppose the granting without requirement of a bond of temporary restraining orders and temporary and permanent injunctions against you, your Insiders, and/or Your Interested Parties to enforce the provisions of this Article.

#### **14.0 ADVERTISING AND PROMOTION; SIGNS; MENU BOARDS; TELEPHONE LISTINGS.**

**14.1 Definition.** For purposes of this Subfranchise Agreement, the term advertising material shall mean all printed, audio, visual, electronic, or other materials prepared for the purpose of increasing, encouraging, or promoting patronage of the Subfranchise Location or of Myungrang Shops in general, or that use the Myungrang Name or any of the Myungrang Marks, or that depict any Myungrang Products, and shall include (without limitation) signs; radio spots; television advertisements; newspaper, magazine, internet or other printed or electronic materials; internet sites, websites or pages, or other electronic databases or sites; social media posts;

slogans; jingles; contests; coupons; gift certificates; giveaways; promotional merchandise; posters; flyers; leaflets; brochures; handbills; telemarketing campaigns; and direct mail presentations.

**14.2 Advertising Approval; Advertised Prices.** You shall not use, display, disseminate, or publish any advertising material that we have not approved in writing. We shall notify you of our approval or disapproval of any advertising material you deliver to us within 10 days after we receive it. If you do not remove and/or destroy on demand any unapproved advertising material you are displaying or using, we may remove and destroy that material, entering the Subfranchise Location as necessary, without being guilty of trespass, conversion, or any other tort. You shall not display or distribute at the Subfranchise Location or in the area in front of it any material promoting any other person or business without our prior written consent. You shall at all times adhere to all retail prices you advertise and shall not advertise in any deceptive or misleading manner.

**14.3 Required Use and Participation.**

A. You shall use and display advertising material only as we designate or approve. You shall display at the Subfranchise Location for the period we specify all advertising material we designate or furnish to you, including digital files we will provide that you will print or have printed to display as and when we require. We may require you at your own expense to join and participate in any advertising campaign, special offers, programs, contests, drawings, and similar promotional events or activities (collectively, "Promotional Campaigns") we designate, unless Applicable Laws prohibit your required participation. If we designate a vendor for any advertising or promotional material, you, at your own expense, shall acquire from the vendor we designate (which may be or include only us or any of Our Affiliates) all advertising material required for your participation in Promotional Campaigns as provided in this Section.

B. If you do not display any advertising material and/or participate in all Promotional Campaigns as provided in Paragraph A of this Article, we and/or our representatives may enter the Subfranchise Location and place the advertising or any material from the Promotional Campaigns in the Subfranchise Location without being guilty of trespass, conversion, or any similar tort. You shall pay us on demand, and we may withdraw electronically as provided in Section 3.5, all charges we incur in taking that corrective action, the administrative fee then set forth in the Fee Schedule, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until reimbursement is received.

**14.4 Prohibitions; Website.**

A. Except as permitted by this Article, you shall not engage in any social media communication that includes the Myungrang Name or any of the Myungrang Marks or that is used for your Myungrang Shop nor shall you create, broadcast, stream, or maintain any media broadcast, internet stream or site, web page, social media presence, cloud presence, listing, or other device, broadcast, or internet advertisement, presence, or location promoting or referring to your Myungrang Shop or that includes the Myungrang Name or any of the Myungrang Marks without our prior written consent, which may be withheld in our discretion.

B. We shall maintain a Myungrang website. Before or concurrently with the Opening, we will add the Subfranchise Location to the list of Myungrang Shops on our website. So long as you are not in default under this Subfranchise Agreement, we will continue to include the

Subfranchise Location in the list of Myungrang Shops on our website. **We do not make any warranty and disclaim any and all implied warranties that our website will be accessible at all times, will not be hacked or otherwise compromised by any electronic or other attack, or will be secure from unauthorized access.**

C. At any time when you are in default under this Subfranchise Agreement, we may remove any mention or identification of the Subfranchise Location from our website and/or block your access to any website we maintain or control. If you at any time create or maintain a social media presence, internet site, or website page for your Myungrang Shop without our prior written consent, in addition to all other rights and remedies provided by Applicable Laws or this Subfranchise Agreement, we may remove, disassemble, disable, or destroy all or any part of that social media presence, internet site, or website or page or cause the host, operator, or owner of the social medium, internet site, or website or page to do so, without being guilty of trespass, conversion, or any other tort or crime. If you at any time distribute any coupon or offer any discount or distribute any advertising material in violation of this Section, you shall pay us on demand the remediation fee in the Fee Schedule.

**14.5 Social Media.** You may have a presence and communicate with others on Facebook, Twitter, Tumblr, Pinterest, Instagram, and any other social media of which we approve in writing (collectively, “social media”) for purposes of promoting the Subfranchised Business and your Myungrang Shop. All of your communications on social media are subject to the requirements of this Subfranchise Agreement. All of your social media communications referring to the Subfranchise Location or Subfranchised Business must be approved by us before they are posted and shall comply with the social media policy and practices set forth in the latest version of the Operational Manual we have delivered to you. Any communication you create on any social media that reflects negatively on the Myungrang System or otherwise violates the provisions of this Subfranchise Agreement or the Myungrang social media policy shall be a default under this Subfranchise Agreement. You shall at all times take all action desirable or necessary to prevent the existence of any social media communication that falsely creates the impression that it is from an impartial third party.

**14.6 Your Local Advertising.** You may develop and use local advertising material and have that material produced by a vendor you select, so long as you have obtained our prior written approval of the vendor and of all materials. You may implement your own local promotional program at your own cost so long as you comply with all marketing and promotion standards and criteria set forth in the latest version of the Operational Manual we have delivered to you and obtain our prior written approval of the program. We will deliver our approval or disapproval within 10 days after we receive the material and your request. We may withhold or condition approval of your local advertising material, vendor, or marketing or promotional campaigns in our discretion and may require that any materials be produced using masters we provide.

**14.7 Cooperative Advertising Program.**

A. We may at any time establish a cooperative advertising or promotion program (a “Cooperative”) for a geographical area we designate. We shall establish the mechanism for managing and administering each Cooperative we create and the financial reporting and audit rights of each participant.

B. If we establish a Cooperative for a geographical area that includes the Subfranchise Location, you shall participate in that Cooperative, attend all meetings relating to it, and be bound by a majority vote of the participants in the Cooperative (each Myungrang Shop in the geographical area of the Cooperative, including those owned by us or any of Our Affiliates, having one vote) at a meeting attended by the representatives of at least two-thirds of the Myungrang Shops in the Cooperative as to matters pertaining to Cooperative advertising programs and/or special promotions, except that any fee imposed by the Cooperative shall not exceed 1.5% of your average monthly Gross Revenue during the preceding 12 calendar months unless all of the participants in the Cooperative approve a larger fee.

C. Nothing contained in this Section shall be construed as a device, method, or technique (direct or indirect) to require you to divide territorial or customer rights and responsibilities with or among other subfranchisees. You shall not be bound by any agreement to divide territories or customers, practices we expressly disapprove and prohibit.

#### **14.8 Advertising Fund.**

A. Beginning on the third day of the second calendar month after the Opening, you shall deliver to us on the Payment Day by our electronic withdrawal as provided in Section 3.5 a contribution to the Myungrang Korean Hot Dog advertising and promotional fund (the "Advertising Fund") equal to 2% of your Gross Revenue during the preceding calendar month.

B. We may but are not required to create an entity for the Advertising Fund. We will determine and supervise all of the Advertising Fund's activities and its monies will be used as we determine to produce advertising materials in media we select. Those activities may but will not necessarily include regional and (when we deem appropriate) national advertising programs, website enhancement and maintenance, social media participation, toll-free telephone numbers, public relations, market research, and other advertising, promotion, and marketing activities and may include using in-house or third party advertising and marketing professionals to advise and assist in the conduct of any or all of those activities. Any amounts contributed to the Advertising Fund that we do not spend in the fiscal year in which we receive them will be carried forward and included in the following year's advertising budget.

C. We shall not be a trustee of Fund contributions but shall segregate them in our books of account as an advertising fund consisting of like payments made by subfranchisees. We may use Advertising Fund money to pay some or all of the costs we incur in connection with the Advertising Fund, including to reimburse us for the portion of our overhead and employee salaries attributable to administration and management of the Advertising Fund as well as for administrative costs, travel expenses, and similar costs related to the administration of the Advertising Fund and its activities. We have the right, but no obligation, to rebate to you at any time a portion of the sums on deposit in the Advertising Fund and require you to expend the rebated amount on local advertising. We will, upon your request made at any time from April 1 to 30 of any calendar year, provide you an accounting of the annual advertising fees we collected in the preceding calendar year, showing the allocation of our advertising expenditures.

D. We may use contributions to the Advertising Fund to produce advertising about the availability of Myungrang Shop subfranchises, sell subfranchises, and produce content for or otherwise pay expenses of our website. We are not required to spend Advertising Fund money in any or every geographical area or to make expenditures proportionate or equivalent to

contributions to the fund by you or any other subfranchisees operating in a particular geographical area, nor are we required to expend Advertising Fund monies so that your Myungrang Shop will benefit directly or in proportion to your contributions to the Advertising Fund.

**14.9 Customer Feedback.** You shall distribute, ask customers to complete, and return to us all surveys, customer comment cards, and other devices for soliciting customer evaluation we provide to you.

**14.10 Signs.**

A. You shall obtain from a supplier we designate or approve (which may be or include only us or any of Our Affiliates) and install and maintain in places at the Subfranchise Location we designate at any time during the term of this Subfranchise Agreement, all signs we specify in any media we specify at any time during the term of this Subfranchise Agreement, all at your own expense. The type, appearance, and elevations of all signs used at the Subfranchise Location or to promote your Myungrang Shop shall be those we have approved. You shall keep the signs illuminated during all hours we designate or approve periodically. You shall not erect or display in, at, or on the Subfranchise Location any signs other than those we designate or display any trademark, service mark, name, logotype, or other commercial symbol without our prior written consent.

B. If you do not install and maintain the signs described in this Section, install signs other than those permitted by this Section, or do not illuminate the signs as we require, we and/or our representatives may enter the Subfranchise Location and erect and/or maintain the specified signs, remove signs installed in violation of this Section, or illuminate your signs, without being guilty of trespass, conversion, or any similar tort. You shall pay us on demand, and we may withdraw electronically as provided in Section 3.5, all charges we incur in taking that corrective action, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until reimbursement is received.

**14.11 Digital Menu Displays.**

A. You shall obtain and install two smart television screens measuring 49, 55, or 65 inches to be used for the digital menu displays at the Subfranchise Location in the location we specify. You shall display on the digital menu displays all media we specify at any time during the term of this Subfranchise Agreement, all of which shall have the appearance we specify periodically. You shall not display or use at the Subfranchise Location any other menu display or board.

B. If you do not install and maintain the digital menu displays described in this Section or install any other menu board, we and/or our representatives may enter the Subfranchise Location and install the specified digital menu displays or remove any menu boards installed or displayed in violation of this Section, without being guilty of trespass, conversion, or any similar tort. You shall pay us on demand, and we may withdraw electronically as provided in Section 3.5, all charges we incur in taking that corrective action, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until reimbursement is received.

#### **14.12 Copyrights.**

A. All advertising material we or any vendor we designate or approve delivers to you shall be our sole and exclusive property and we shall be the sole owner of the copyrights in and to them. All rights in and to the design and content of the signs and digital menu displays described in Sections 14.10 and 14.11 are and shall be our sole and exclusive property and we shall be the sole owner of the copyrights to them. You do not and shall not have any sublicense, power, or right to claim or register a copyright on any of that advertising material except the use rights granted by this Subfranchise Agreement.

B. You shall not at any time contest, directly or indirectly, our sole and exclusive copyrights in all advertising material we or a vendor we designate or approve deliver to you and all reproductions of any of that advertising material, all signs and digital menu displays described in Sections 14.10 and 14.11, and all other copyrighted materials delivered or sublicensed to you under this Subfranchise Agreement.

**14.13 Telephone Listings.** The Subfranchise Location's primary voice telephone line shall be listed and identified exclusively with your Myungrang Shop in all business telephone directories distributed by any third party in the geographical area of which the Subfranchise Location is a part and shall be included in all local advertising you prepare. All telephone listings shall identify your Myungrang Shop as a Myungrang Shop subfranchise.

**14.14 Publicity.** You shall report to us by electronic mail immediately any event or occurrence at the Subfranchise Location or involving your Myungrang Shop in any way that is or is likely to be covered by local news media, mentioned in social media sites, or otherwise be the subject of publicity or public comment. In order to protect the reputation and public image of the Myungrang System, you shall not make or give any public statement regarding any unplanned occurrence or event at the Subfranchise Location or involving your Myungrang Shop to any news medium or post on the internet or in any social media any statement regarding any unplanned event or occurrence at the Subfranchise Location or involving your Myungrang Shop. All those communications shall be handled and made only by us.

#### **15.0 SHOP MANAGER; PERSONNEL; EFFORTS.**

##### **15.1 Shop Manager.**

A. Throughout the term of this Subfranchise Agreement your Myungrang Shop shall be managed by a managerial employee (who may be you if you are an individual or one of your owners) who has successfully completed the training described in Article 7, or a successor who has been trained by you or, with our approval, by another manager who was trained by us and in either case to our satisfaction and remains qualified to be the person on site at your Myungrang Shop principally responsible for the day to day operation of your Myungrang Shop (the "Shop Manager").

B. At least four weeks before the Opening you shall deliver to us notice of the appointment of your Shop Manager (the "Appointment Notice"). Your Appointment Notice shall provide the Shop Manager's name, address, personal telephone landline and cell phone numbers, home address, personal email address, and a list of the Shop Manager's educational background and employment history for the past five years, including reasons for employment termination. At any time within seven days after we receive your Appointment Notice, we may deliver to you

notice of disapproval stating with specificity the basis for our disapproval. Within seven days after receipt of any notice of disapproval you shall deliver to us a second Appointment Notice containing the same information as the first Appointment Notice but applicable to a new Shop Manager. The process provided for in this Paragraph shall be repeated until you have selected a Shop Manager who is not disapproved.

C. You shall update periodically as necessary the name, home address, home and celltelephone numbers, and personal email address of your Shop Manager. You shall notify us immediately upon determining or learning that you must change your Shop Manager.

**15.2 Personnel.** Before the Opening and throughout the term of this Subfranchise Agreement, you shall staff your Myungrang Shop as required by the latest version of the Operational Manual we have delivered to you. You shall give each of your employees all training and supervision necessary to assure that each employee can perform and is performing the work assigned to him or her in a competent fashion.

**15.3 Uniforms; Hygiene.** You shall require each of your employees to wear during the time the employee is working at the Subfranchise Location a uniform of the style and color designated for that employee in the latest version of the Operational Manual we have delivered to you. You shall obtain from us or any supplier we designate or approve periodically (which may be or include only us or any of Our Affiliates) all uniform components that bear any of the Myungrang Name or Myungrang Marks. You shall require all employees present in the Subfranchise Location to practice good personal hygiene, wear clean uniforms, be appropriately groomed and attired, and conform to the highest standards of sanitation.

#### **15.4 Onsite Management and Hours.**

A. You or if you are an entity your Owner-Operator who has been trained and approved by us must at all times be personally responsible for the day to day operation and administration of your Myungrang Shop and supervise, oversee, administer, and manage operation of the Subfranchise Location and your Myungrang Shop at all times. You or, if you are an entity, your Owner-Operator must be personally present in and operate your Myungrang Shop at least two days a week for at least four hours a day, including weekends and the busiest hours for your Myungrang Shop.

B. Whenever you or your Owner-Operator, as the case may be, is not personally present in and running your Myungrang Shop during operating hours your Shop Manager who has successfully completed our training to our satisfaction and remains qualified to be a person responsible for the day to day operation of your Myungrang Shop shall be present at and work in the Subfranchise Location, including (without limitation) at least one hour before opening and no less than one hour after closing, 48 weeks of the year, and supervise, oversee, and manage operation of the Subfranchise Location and your Myungrang Shop. The persons you designate to fulfill the requirements of this Section shall not have any other employment or occupation during those hours and shall not be employed by any other business that sells hotdogs.

C. You shall use your best efforts to operate your Myungrang Shop to produce the maximum volume of Gross Revenue and shall keep the Subfranchise Location open for business seven days each week between no later than 10:00 a.m. and at least 9:00 p.m., except to the extent prohibited by any Applicable Laws or of requirements of any retail commercial facility or development of which the Subfranchise Location is a part.

D. If you at any time do not comply with the provisions of this Section, in addition to all other sums payable under this Subfranchise Agreement, you shall pay us on demand, and we may withdraw electronically as provided in Section 3.5, a penalty assessment equal to 2% of your Gross Revenue during the period of noncompliance or, if the noncompliance is the failure to keep the Subfranchise Location open for business during the required operating hours, an amount equal to 5% of your Gross Revenue during the latest equivalent period when the Subfranchise Location was open and operating during all required operating hours.

## **16.0 QUALITY CONTROL; CUSTOMER COMPLAINTS; SUBFRANCHISEE ASSOCIATION.**

### **16.1 Inspection.**

A. We may at any time have one or more of our employees or a third party quality control inspector or mystery shopper visit the Subfranchise Location, anonymously if we choose, to monitor and evaluate the operation of your Myungrang Shop. We shall deliver to you within ten business days after any quality control visit a copy of any report prepared by the inspector and you shall consult with our representative about the results of the inspection and the implementation of any corrective action recommended by the inspector. You shall implement any recommended corrective action immediately after consulting with our representative to review the inspector's report.

B. We and our representatives may at any time enter the Subfranchise Location, with or without notice, observe the operation of your Myungrang Shop, conduct inspections and evaluations of the Subfranchise Location, the FFE, Inventory, supplies, goods, Point of Sale System, Business Database, Computer System, books, and/or records located in the Subfranchise Location, and/or your operation of the Subfranchise Location and Subfranchised Business, and/or talk with, interview, or question any of your present or former employees (whether or not that employee works or is present at the Subfranchise Location during that conversation, interview, or questioning). You shall cooperate and shall cause each of your employees to cooperate with us and our representatives in the conduct of any inspection, evaluation, conversation, interview, or questioning. We may prepare or have prepared a written report of the results of any inspection or evaluation. If a written report is prepared, we shall deliver a copy of the written report to you promptly after it is completed. You shall immediately commence correction of any failure to comply with this Subfranchise Agreement in any respect that is identified by us and/or our representative of which you are given notice verbally or in writing and diligently pursue that correction to completion.

C. If you obtain a score of less than 80% in any area that is the subject of any inspection or evaluation, within three days after you receive a written or verbal report of the inspection or evaluation you shall take all action necessary to raise your score in every area to 80%.

D. Within 15 days after receipt of an invoice, you shall pay us all sums we have or will pay to a third party inspector or the inspection *per diem* charge in the Fee Schedule and reimburse us for all travel expenses (including, without limitation, airfare, automobile rental, lodging, and meals) incurred in connection with any re-inspection of the Subfranchise Location or Subfranchised Business to confirm that you have taken all corrective action required by this Section. We may withdraw electronically as provided in Section 3.5 all charges provided for in this Paragraph.

**16.2 Independent Evaluation.** We may at any time give you at least 30 days notice that you must obtain periodic independent evaluations. Within 30 days after your receipt of that notice, you shall engage and thereafter maintain and pay for a health standards evaluation service we have approved to make the periodic inspections of the Subfranchise Location and the operation of your Myungrang Shop and deliver a written report on that inspection to you and us. You shall take all corrective action and make all improvements identified in the evaluator's report promptly after your receipt of the report.

**16.3 Resolving Customer Complaints.** You shall respond immediately to any customer complaint and use your best efforts to resolve the complaint to the customer's satisfaction immediately, making refunds and providing complimentary Myungrang Products as appropriate. If you have not resolved any customer complaint by the day after you receive it, you shall report that complaint to us by sending us by facsimile transmission the latest form of Complaint Report we have delivered to you as part of the Operational Manual. At any time after receipt of a Complaint Report or a complaint directly from a customer, we may (but do not have to) take any action to assist in resolving it or mandate a resolution that you shall implement at your sole cost.

**16.4 Subfranchisee Association.** We may at any time establish one or more subfranchisee associations and/or advisory councils (collectively, "subfranchisee association"). We shall determine the form, structure, nature, purpose, membership, and role of any subfranchisee association we create and the bylaws, rules, regulations, and procedures that govern its operation. If we establish a subfranchisee association with a membership that includes your Subfranchised Business, you shall be a member of and participate in that subfranchisee association.

## **17.0 INSURANCE.**

### **17.1 Liability.**

A. You shall obtain and maintain in full force and effect throughout the term of this Subfranchise Agreement general liability insurance with a liability limit of not less than \$1,000,000/\$2,000,000, insuring against all liability of you, Your Interested Parties, and your agents and employees arising out of or in connection with the operation of your Myungrang Shop or use of the Subfranchise Location, including all damage from signs, glass, fixtures, equipment, or other appurtenances situated in or on the Subfranchise Location now or at any later date.

B. You shall obtain and maintain in full force and effect throughout the term of this Subfranchise Agreement an umbrella insurance policy with limits of \$1,000,000/\$5,000,000.

C. You must name us an additional named insured on the insurance coverage other than worker's compensation insurance and your general liability coverage must include General Commercial Liability Endorsement CG 20 29 04 13 - Additional Insured - Grantor of Franchise.

**17.2 Fire, Theft, and Extended Coverage.** You shall obtain and maintain throughout the term of this Subfranchise Agreement a policy of standard fire, theft, and extended coverage insurance, with vandalism and malicious mischief endorsements, covering all the personal property, improvements, alterations, trade fixtures, and equipment (including, without limitation, the FFE) in, on, or about the Subfranchise Location to the extent of at least 100% of their actual replacement value and a deductible of not more than \$1,000. The proceeds of this

policy shall be used to replace the personal property and/or restore all improvements on and alterations to the Subfranchise Location.

**17.3 Business Interruption.** You shall obtain and maintain throughout the term of this Subfranchise Agreement a business interruption insurance policy insuring that if the Subfranchise Location is destroyed or rendered inaccessible by a risk insured against under a standard fire, theft, and extended coverage insurance policy with vandalism and malicious mischief endorsements, we shall be paid a monthly royalty equal to the highest royalty payment we received during the prior 12 month period for a period of up to one year.

**17.4 Additional Insured; Provisions; Other Coverage.** We shall be additional named insured on all policies of insurance carried by you on the Subfranchise Location or its contents or with respect to your Myungrang Shop, except worker's compensation insurance. All policies of insurance you carry shall: (a) be primary and noncontributing with any other insurance; (b) be written by a company or companies authorized to engage in the business of general liability insurance in the state in which the Subfranchise Location is situated, with a Best's rating of at least A- and financial strength rating no less than XII; (c) contain cross-liability endorsements; and (d) contain an endorsement requiring 30 days written notice to us before the policy may be cancelled or altered. You shall deliver to us at least 15 days before the Opening and at least 20 days before expiration of each policy term actual endorsement copies of certificates of insurance evidencing the coverage required by this Article, with evidence that the premiums have been paid. You shall obtain any other or additional insurance you think is appropriate or desirable. We make no representation or warranty that the insurance required by this Article covers all the risks against which you, your Myungrang Shop, or the Subfranchise Location should be insured.

**17.5 Waiver of Subrogation.** You and we release one another and you release Our Affiliates, and Our Affiliates' respective officers, directors, shareholders, agents, employees, independent contractors, accountants, attorneys, consultants, and representatives (collectively, "Related Parties") from any claims for damage to any person, the Subfranchise Location, and/or the buildings, fixtures, equipment, personal property, improvements, or alterations located in or on the Subfranchise Location caused by or resulting from risks insured against under any insurance policies carried by you or us and in force at the time of the damage. You shall cause each insurance policy you obtain to provide that the insurance company waives all right of recovery by way of subrogation against us and/or our Related Parties in connection with any damage covered by any policy.

**17.6 Remedies.** If you do not obtain and maintain any of the insurance required by this Article within five days after our demand for compliance, we may, but have no obligation to, obtain and maintain that coverage. You shall pay us on demand all charges we incur to obtain and maintain the coverage, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until reimbursement is received.

**17.7 Increases.** You shall increase the insurance coverage required by this Article at any time during the term of this Subfranchise Agreement, but not more frequently than once each year, upon receipt of notice that we have determined that the amount of that insurance is inadequate, and shall deliver to us within 30 days after receipt of that notice a certificate evidencing the increased coverage.

**18.0 INDEMNITY.** Because you will be actively operating and controlling the Subfranchise Location and Subfranchised Business, you shall indemnify, defend, and hold harmless us, our Related Parties, and our Related Parties' respective officers, directors, predecessors, heirs, successors, agents, and employees from and against any loss, claims, costs, demands, liabilities, obligations, duties, damages, causes of action, actions, and expenses of any kind or nature whatsoever (including, without limitation, attorneys', consultants', and expert witness fees at trial and on any appeal) arising out of or related in any manner whatsoever to your Myungrang Shop, the Subfranchised Business, and/or your use or occupancy of the Subfranchise Location or any improvements, fixtures, or equipment located in or on it.

## **19.0 TAXES AND ASSESSMENTS; PERMITS AND SUBLICENSES.**

**19.1 Your Duty.** You shall pay on or before the due date all payroll, personal property, franchise, sales, and other taxes or assessments imposed by any governmental entity or agency on or on account of the conduct of your Myungrang Shop or its receipts, other than income taxes on our income. If any of those taxes are levied against or paid by us, you shall reimburse us for those taxes on demand. You shall obtain and timely renew all permits and licenses required by any Applicable Laws or governmental entity or agency for operation of your Myungrang Shop or your use or occupation of the Subfranchise Location.

**19.2 Remedies.** If you do not pay any taxes or obtain any permits or licenses described in Section 19.1 within five days after the earlier of notification of noncompliance or our demand for compliance, we shall have the right, but no obligation, to pay those taxes (including any penalties and/or interest charges) or obtain those permits or licenses for you and on your behalf. You irrevocably designate, constitute, and appoint us your attorney-in-fact for that purpose. You shall pay us on demand all sums we spend for those taxes, permits, and licenses, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the monies until repayment is received.

## **20.0 LIMITATIONS ON ASSIGNMENT.**

**20.1 Consent Required.** To assure your continued personal responsibility for the operation of your Myungrang Shop and to protect the Myungrang Name, Myungrang Marks, Myungrang Method, goodwill, and reputation and the Other Proprietary Information for the benefit of MS, us, and all Myungrang subfranchisees, neither all nor any part of your interest in this Subfranchise Agreement, your Myungrang Shop, the Subfranchised Business, or the Subfranchise Location shall be assigned, sold, transferred, encumbered, or otherwise disposed of, voluntarily or by operation of law (individually a "Transfer" and collectively, "Transfers"), without our prior written consent, which shall not be unreasonably withheld but may be conditioned on fulfillment of any reasonable conditions (including, without limitation, those in Article 21) and may be denied on any reasonable grounds, including (without limitation) that: (a) we consider the proposed recipient to be unqualified to operate your Myungrang Shop based upon an assessment of the proposed recipient's business acumen, aptitude, experience, capability, financial stability or responsibility, involvement in another business enterprise, or other relevant characteristics; (b) you do not propose to assign, sell, transfer, or otherwise dispose of all of your interest in this Subfranchise Agreement, the Subfranchised Business, your Myungrang Shop, the Subfranchise Location, and the FFE; or (c) you are in default under this Subfranchise Agreement. No transfer shall be made unless you assign to the transferee the

Lease or, if you own the Subfranchise Location, grant the transferee the right to occupy the Subfranchise Location for the balance of the term of this Subfranchise Agreement.

**20.2 Information.** In connection with a request for consent to a Transfer, you shall deliver to us in writing (a) the name of the proposed transferee; (b) a description of the interest of which you propose to dispose, the nature of the proposed disposition, and the proposed consideration, terms, and conditions, if any; (c) a complete copy of the proposed form of Transfer documents and all contracts, instruments, and agreements relating to the proposed Transfer together with your certification that those constitute true and complete copies of all of the documents to be executed in connection with the Transfer and embody all of the terms and conditions agreed to between you and the proposed transferee; (d) the proposed transferee's completed application on the form we are then using and any other information regarding the proposed assignee we require, (e) the proposed transferee's consent to and our receipt of a report of an investigation of the proposed transferee by a third party source we select that is satisfactory to us, (f) all documents relating to the conditions set forth in Section 20.1; and (g) any other financial or other information we request concerning the proposed transferee or the Transfer.

**20.3 Deemed Transfers.** The following shall be deemed to be Transfers requiring consent under this Article: (a) any transfer to a corporation, partnership, limited liability company, or other entity; (b) if you are a corporation or limited liability company, any conversion, dissolution, merger, consolidation, or other reorganization, or sale or other transfer of any shares or membership units to a person or entity that is not an existing shareholder or member, or any sale of assets or change in the chief executive, operating, or financial officer or any manager; (c) if you are a partnership, any change in or withdrawal of any partner or conversion, merger, consolidation, or other reorganization or any dissolution of the partnership; and (d) if you consist of more than one person, any transfer from one person to any other.

**20.4 Effect; Disclosure.**

A. Any attempt to Transfer any interest in this Subfranchise Agreement, the Subfranchised Business, or your Myungrang Shop other than in accordance with the provisions of this Subfranchise Agreement shall be null and void. Our consent to one assignment, sale, transfer, encumbrance, or other disposition shall not be deemed a waiver of this provision or consent to any subsequent Transfer. Our approval of any proposed Transfer by you shall not be construed as a representation or warranty by us that the terms or conditions of the proposed transfer are economically sound or that the proposed transferee will be capable of successfully conducting your Myungrang Shop. If a Transfer is not effected within 90 days after the date we consent to it or if there is any material change in the terms of the proposed Transfer or any of the information provided to us, the consent we have given shall be deemed revoked and no Transfer shall be effected without obtaining our consent

B. We may, but are not obligated, to furnish any prospective transferee with copies of any financial information relating to the Subfranchised Business or your Myungrang Shop in our possession. We may, but are not obligated, to inform any prospective transferee of any claimed uncured breach or default by you under this Subfranchise Agreement or any other agreement relating to the Subfranchised Business or your Myungrang Shop.

**20.5 Transfer by Us.** We may sell or assign all or any portion of our interest in this Subfranchise Agreement or the Myungrang System to any person or entity who expressly assumes

those obligations in writing at the time of the transfer. We may encumber all or any part of our interest in this Subfranchise Agreement or the MyungrangSystem at any time.

## **21.0 CONDITIONS TO ASSUMPTION OF YOUR INTEREST; FEE.**

**21.1 General Conditions.** No person or entity may succeed to your interest in this Subfranchise Agreement or operate your Myungrang Shop in your place unless and until:

- a. If Applicable Laws require, the prospective transferee has received and acknowledged receipt of the form of Franchise Disclosure Document we are then using for renewal and transfers and the waiting period prescribed by Applicable Laws has expired;
- b. The prospective transferee's Owner-Operator and Shop Manager satisfactorily complete a course of training we prescribe and we receive payment for that training;
- c. The prospective transferee has agreed in writing to be bound by and executed a copy of the form of Subfranchise Agreement we are then offering to prospective assignees of single unit subfranchises and any other agreements we then require subfranchisees or their owners to sign;
- d. The prospective transferee has the right to occupy the Subfranchise Location for the balance of the term of the Subfranchise Agreement;
- e. Concurrently with the request for approval, we have received payment of the nonrefundable subfranchise transfer fee in the Fee Schedule;
- f. Any breach of your obligations to us has been cured;
- g. All sums payable by you to us before the effective date of the transfer have been paid or arrangements satisfactory to us have been made for the assumption of those obligations by Your Successor;
- h. Each individual who will be the subfranchisee or each person who will be an owner of any entity subfranchisee has executed and delivered to us a Subfranchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment in the form we are then requiring or any other form we are then using for that purpose; and
- i. You and each person who has previously executed a Subfranchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment in connection with the grant of the subfranchise to you has executed and delivered to us the form of General Release and Covenant Survival Agreement we are then using for that purpose.

## **21.2 Entity Conditions.**

A. In addition to the requirements in Sections 20.1 and the conditions in Section 21.1 and any other reasonable conditions, our consent to any Transfer of your interest in this Subfranchise Agreement, the Subfranchised Business, or your Myungrang Shop or your conversion to a corporation or limited liability company may be conditioned on any or all of the following: (i) all the shares of stock or units of membership of the corporation or company being owned in the same proportions as you were owned or our consenting to the transfer of a portion of the shares or units to holders other than you and you agreeing in writing to own legally and

beneficially a majority of the shares or units at all times during the term of this Subfranchise Agreement; (ii) the certificates evidencing shares or units bearing an appropriate legend prominently disclosing the existence of the restrictions on transfer contained in this Subfranchise Agreement; (iii) the governing documents requiring and you or your principal executive officer agreeing to serve as the principal executive officer of the corporation or manager of the company at all times during the term of this Subfranchise Agreement; and (iv) each shareholder or member executing a personal guarantee of the corporation or company's obligations to us.

**B.** In addition to the requirements in Section 20.1 and the conditions in Section 21.1 and any other reasonable conditions, our consent to a Transfer, or other disposition of your interest in this Subfranchise Agreement, the Subfranchised Business, or your Myungrang Shop or your conversion to a partnership may be conditioned on any or all of the following: (i) our approval of the composition of the partnership and the business acumen, aptitude, experience, financial stability or responsibility, and other relevant characteristics of each partner; (ii) the execution of a written partnership agreement that provides that no interest in the partnership shall be transferred or change in partnership composition made without our prior written consent and approval; and (iii) the partnership being a general partnership.

## **22.0 RIGHT OF FIRST REFUSAL.**

**22.1 Right.** If you propose to assign, sell, transfer, or otherwise dispose, with or without consideration, of all or any portion of your interest in this Subfranchise Agreement, the Subfranchised Business, your Myungrang Shop or, if you are an entity, any interest in you, you shall promptly give us written notice of the proposed assignment, sale, transfer, or other disposition, including all of the information required by Section 20.2. Unless the transfer described in the notice is a conversion to a different form of entity without any change in equity ownership or a lifetime transfer to your spouse, domestic partner, or issue or the trustee of a trust the sole beneficiaries of which are you, your spouse, domestic partner, or issue, or some combination of them and will not result in any change in the day-to-day management of your Myungrang Shop, we or our nominee shall have the first right to acquire the interest described in your notice by giving you notice of the exercise of that right within 30 days after we receive your notice and all of the information described in this Section. The notice of exercise shall set a place and a date no less than 30 nor more than 120 days later for transfer to us or our nominee of the interest described in your notice in return for the consideration, if any, described in your notice, except that we or our nominee may substitute an equivalent sum of cash for any consideration other than cash. On the date and at the place described in the notice of exercise, you shall deliver appropriate written evidence of transfer to us or our nominee of the interest described in your notice, subject to delivery by us or our nominee of the consideration, if any, described in your notice, as modified by this Section.

**22.2 Non-Exercise.** If we do not exercise the right of first refusal in Section 22.1, subject to the provisions of Articles 20 and 21, you may dispose of the interest described in your notice to the party named in your notice, in the manner, for the consideration, if any, and on the terms and conditions, if any, in your notice; provided, however, that if the transfer is not made within 90 days after the expiration of the right of first refusal in Section 22.1, any subsequent disposition shall be deemed to be a disposition subject to that right of first refusal. Any change in the consideration, terms, and/or conditions in your notice shall constitute a new offer and require compliance with Articles 20 and 21. Nothing contained in this Section 22.2 shall be

deemed or construed to give you the right to dispose of any interest in this Subfranchise Agreement or your Myungrang Shop other than in compliance with Articles 20 and 21.

## **23.0 RIGHT TO REQUIRE SALE ON DEATH, DISABILITY, OR DEADLOCK; RIGHT TO INTERIM SHOP MANAGER.**

### **23.1 Right.**

A. If you are (i) an individual and you die, are rendered incapable of attending to your Myungrang Shop for a period in excess of 30 days, are certified as mentally incompetent by a medical doctor duly sublicensed to practice medicine in the jurisdiction where the Subfranchise Location is situated, or have a guardian or conservator appointed, or (ii) an entity or more than one individual and we deliver written notice that we have determined that a dispute has developed between or among some or all of the owners of the entity or you that is adversely affecting your Myungrang Shop (all, individually and collectively, an "Option Occurrence"), whether or not your Myungrang Shop of the Subfranchised Business has previously been transferred to a trust, we may require that you or your heirs, beneficiaries, personal representative, estate, guardian, conservator, or other successor in interest or the trustee of any trust (individually and collectively, "Your Successor") list with a licensed business opportunities broker qualified to sell franchised businesses and sell within 180 days for the best offer obtained within 120 days after listing, all of your interest in this Subfranchise Agreement, the Subfranchised Business, your Myungrang Shop, and the FFE, and lease, sublease, or otherwise grant the buyer the right to occupy the Subfranchise Location on terms acceptable to us (including, without limitation, the requirements of Section 4.2) for the balance of the term of this Subfranchise Agreement.

B. Within 10 days after any Option Occurrence described in Paragraph A(i), you or Your Successor shall deliver to us written notice of the Option Occurrence. We shall exercise the right given us in Paragraph A(i) by giving you or Your Successor notice of exercise within 120 days after we receive written notice from you or Your Successor or otherwise learn of an Option Occurrence described in Paragraph A(i) or concurrently with or at any time after we deliver the notice provided for in Paragraph A(ii). Within 20 days after receipt of our notice of exercise of the rights in Paragraph A, you or Your Successor shall deliver to us written evidence of the listing required by Paragraph A.

C. If we do not exercise any of the rights in Paragraph A after an Option Occurrence described in Paragraph A(i) and you are not then in default under this Subfranchise Agreement, you may continue to operate your Myungrang Shop or Your Successor may succeed to your interest in this Subfranchise Agreement and the Subfranchise Location and operate your Myungrang Shop after satisfying the conditions in Article 21.

**23.2 Manager.** During any period of your incapacity if you are an individual or on the happening of any Option Occurrence, whether or not we exercise any of the rights in Section 23.1A, we may appoint a manager (who may be our employee) to oversee operation of the Subfranchised Business and your Myungrang Shop until, if you are an individual and temporarily disabled, you are capable of attending to your Myungrang Shop or, in any other case, a transfer of your interest in this Subfranchise Agreement is effected in accordance with this Subfranchise Agreement, as the case may be. You or Your Successor shall pay our charge for the manager's salary, any transportation, travel, lodging, or related living expenses, and the management administration fee in the Fee Schedule within 30 days after receipt of an invoice.

**24.0 NOTICE OF CLAIMS; YOUR TERMINATION RIGHT.** You shall not initiate any lawsuit or other legal action against us less than 45 days prior to delivering to us a statement setting forth the claims you would make and a detailed description of the basis for them, including the factual and legal support for them (a "Claim Notice"). During the 45 day period provided by the preceding sentence, you shall meet and confer with us at mutually agreeable times as we request to attempt to resolve the claims that are the subject of the Claim Notice. You may terminate this Subfranchise Agreement if we default in the performance of any material obligation under this Subfranchise Agreement and that default is not cured within 60 days after we receive a written notice of the default from you, or, if the default is not susceptible of cure within a 60 day period, if corrective action has not been commenced within the 60 day period.

**25.0 OUR TERMINATION RIGHTS.** In addition to all other rights given us by this Subfranchise Agreement or by law, we may terminate this Subfranchise Agreement if you:

- a. Fail to pay any sum due and payable to us as and when required by this Subfranchise Agreement and do not make that payment, including all applicable late charges and interest, within five days after receipt of notice from us;
- b. Fail to adhere to the brand designations or approvals, product, supply, FFE, and other specifications, standards, rules, regulations, methods, techniques, and procedures in latest version of the Myungrang Manuals we have delivered to you and do not take appropriate corrective action within three days after receipt of notice from us;
- c. Fail to carry any menu item included in Your Menu or offer or sell at the Subfranchise Location any other menu item without our prior written consent and do not take appropriate corrective action within three days after receipt of notice from us;
- d. Violate the requirements of Section 1.3 regarding use of the Myungrang Name, Myungrang Marks, or Myungrang Method and do not take appropriate corrective action within three days after receipt of notice from us;
- e. Violate the restrictions in Section 1.3 regarding use of the Myungrang Name, Myungrang Marks, or Myungrang Method;
- f. Disclose, divulge, disseminate, display, duplicate, reveal, reproduce, publish, sell, show, or communicate the Myungrang Method, any of the contents of the Myungrang Manuals, or any of the Other Proprietary Information to any person or entity except as permitted by this Subfranchise Agreement;
- g. Fail to use and maintain all reporting and data systems and/or make any report or maintain and retain any records in accordance with Article 12 and do not cure that failure within five days after receipt of notice from us;
- h. Fail to enter in the Point of Sale System any item of Gross Revenue or submit to us on three or more occasions during the term of this Subfranchise Agreement, whether or not consecutive, reports of Gross Revenue that any audit or audits we conduct reveals to have understated Gross Revenue by more than 2%;

- i. Fail to have your Owner-Operator or Shop Manager be present at and work in the Subfranchise Location as required by Section 15.4 (, unless prevented by a governmentally declared emergency, act of terrorism, act of Nature, or disaster;
- j. Fail to deliver to us on or before the date described in Section 17.4 evidence of the insurance coverage required by Article 17 and do not obtain that insurance within five days after receipt of notice from us;
- k. Have any insurance described in Article 17 cancelled by the carrier and fail to obtain replacement coverage at least five days before the cancellation date;
- l. Purport to Transfer all or any portion of your interest in this Subfranchise Agreement, the Subfranchised Business, or your Myungrang Shop in violation of Article 20, 21, or 22;
- m. Cease to operate your Myungrang Shop or do not open the Subfranchise Location for business for two days in succession, unless that failure is due to a force majeure;
- n. Fail to comply with any Applicable Laws, fail to pay any taxes, or fail to obtain any sublicense or permit described in Section 19.1 within five days after the earlier of notification of noncompliance or receipt of our demand for compliance;
- o. Default in performance of any of your covenants, duties, or obligations under this Subfranchise Agreement or fail to fulfill any condition of this Subfranchise Agreement not described in subparagraphs (a) through (n) and do not cure that default within 10 days after notice from us;
- p. Fail on three or more occasions during any 12 month period to pay when due or have available when we make a direct electronic withdrawal or credit card charge any sum due and payable to us as required by this Subfranchise Agreement, whether or not the payment was ultimately made;
- q. Fail to comply with each and every term, covenant, and condition and to perform on time each of your duties and obligations as required by this Subfranchise Agreement, other than your obligation to pay us money, on three or more occasions in any calendar year or on more than 10 occasions throughout the term of this Subfranchise Agreement, whether or not the performance was ultimately rendered;
- r. Default in the performance of any of your covenants, duties, or obligations as required by any other agreement between you and us, any or Our Affiliates, and/or any third party relating to your Myungrang Shop, the FFE, or the Subfranchise Location and do not cure that default within the time, if any, allowed for cure;
- s. Own any interest in, or any of Your Interested Parties or your Shop Manager owns any interest in, any entity or business that defaults in the performance of any of its covenants, duties, or obligations as required by any other agreement between that party and us or any of our Related Parties, and/or with any third party relating to any business that is the subject of any franchise, sublicense, or other agreement between that person or entity and us or any of our Related Parties, and you or the defaulting party do not cure that default within the time, if any, allowed for cure;

- t. Have any decree or order for relief issued with regard to you in an involuntary case under any applicable bankruptcy, insolvency, or other similar law in effect now or at a later date or appointing a receiver, liquidator, assignee, custodian, trustee, or similar official for you or any substantial part of the property of your Myungrang Shop, or ordering the winding up or liquidation of your affairs, and that decree or order remains unstayed and in effect for 60 consecutive days;
- u. Commence a voluntary case under any applicable bankruptcy, insolvency, or other similar law in effect now or later, or consent to the entry of an order for relief in any voluntary case under any law of that type, or consent to the appointment of a receiver for you or your Myungrang Shop or the Subfranchised Business, or taking by a receiver, liquidator, assignee, custodian, trustee, or similar official of any substantial part of the property of your Myungrang Shop, or make any general assignment for the benefit of creditors, fail generally to pay your debts as they become due, admit your inability to pay your debts as they become due, or take any action in furtherance of any of the foregoing;
- v. Fail to obtain release of any writ of attachment or execution levied against all or any part of your interest in your Myungrang Shop, the Subfranchised Business, the Subfranchise Location, the Inventory, the FFE, or any fixtures, equipment, monies, goods, or inventory located in or on the Subfranchise Location within five days after levy;
- w. Fail to satisfy any final judgment against you or your Myungrang Shop for 30 days without filing a *supersedeas* or other appeal bond and all or any part of your Myungrang Shop, the Subfranchised Business, the Subfranchise Location, or any of the Inventory, the FFE, or any fixtures, equipment, monies, goods, or inventory situated at or in the Subfranchise Location is seized, taken over, or foreclosed on by any government official, creditor, lienholder, or landlord;
- x. Commit any act or engage in any conduct that in our commercially reasonable opinion reflects materially and unfavorably on, endangers, or damages any of the Myungrang Name, Myungrang Marks, goodwill, or reputation or the reputation or operation of your Myungrang Shop, including (without limitation) being convicted of a felony or other criminal misconduct;
- y. Make or have made any material misrepresentation to us; or
- z. Cease to have the right to occupy the Subfranchise Location and do not have a right to relocate your Myungrang Shop as provided in Section 2.3.

**26.0 CONTINUING LIABILITY.** Notwithstanding the termination of this Subfranchise Agreement under Article 25, we retain all rights and remedies given us by this Subfranchise Agreement or by law and you shall remain fully liable for the performance of your existing duties and obligations arising out of this Subfranchise Agreement or the operation of your Myungrang Shop, including (without limitation) your obligations to maintain Your Records and make them available to us as required by Article 12; your noncompetition and nondisclosure obligations under Article 13; your nondisclosure obligations relating to the Myungrang Manuals, the Myungrang Method, the Other Proprietary Information, and any other information this Subfranchise Agreement provides is proprietary, confidential, or not to be disclosed; your obligation to indemnify us and our Related Parties as provided in Article 18; and payment of: (a) all amounts then due to us or that become due to us as a result of that termination; (b) the accrued salaries of your employees and all taxes related to those salaries; and (c) all costs and

expenses incurred and all profits we have lost as a result of the termination, all of which shall survive the termination or expiration of the term of this Subfranchise Agreement.

## **27.0 PROCEDURE FOR WINDING UP SUBFRANCHISED BUSINESS.**

### **27.1 Procedure.**

**A.** Upon cancellation, termination, or expiration of this Subfranchise Agreement, you shall:

- i. Stop using the Myungrang Name or any of the Myungrang Marks, the Myungrang Method, the Other Proprietary Information, and any item we designate as trade dress from time to time, or any of them, in any manner whatsoever and execute all documents necessary to give notice of cessation, including (without limitation) a statement of abandonment of fictitious, trade, or assumed business name;
- ii. Maintain the confidence of and not thereafter disclose or use any information you have regarding the Myungrang Method or any of the Other Proprietary Information;
- iii. Immediately deliver to us the Myungrang Manuals, complete and intact, all materials containing the Myungrang Name or any of the Myungrang Marks or any other names or marks that belong to us, all materials relating or referring to or containing the Myungrang Method or the Other Proprietary Information, and all materials containing any copyright, symbols, devices, insignia, designs, labels, or logotypes that belong to us or any of Our Affiliates, including (without limitation) all bulletins, instruction sheets, memoranda, guidelines, and forms and delete all those from every computer system in your possession or under your control;
- iv. Do all things necessary or appropriate to transfer to us or our nominee all telephone, facsimile, modem numbers, or other electronic communication numbers, IP addresses, or other addresses used in connection with your Myungrang Shop and make appropriate changes in directory listings;
- v. Pay us on or before the expiration date or the effective date of the termination all sums due or to become due to us under this Subfranchise Agreement; and
- vi. Deliver to us a Cancellation Agreement and/or General Release in the form we provide, signed by or on behalf of you and each person holding an equity interest in you.

**B.** Upon termination of this Subfranchise Agreement under Article 25, in addition to the requirements of Section 27.1A, if we require, you shall: (i) vacate the Subfranchise Location on or before the effective date of the termination and assign the Lease to us or our nominee or, if you are the owner of the Subfranchise Location, lease the Subfranchise Location to us or our nominee for a period equal to the initial term of this Subfranchise Agreement, with an option to renew for one five year term, at the fair rental value and on terms comparable to those generally offered for comparable commercial premises on the termination date but including the provisions described in Section 4.2; (ii) sell or assign to us or our nominee all of your interest in all or any portion of the signs, FFE, fixtures, or equipment located on or at the Subfranchise Location and we shall pay you for your interest in those signs, FFE, fixtures, or equipment you own a sum equal to the aggregate of the payments you made to acquire your interest in those signs, FFE, fixtures, or items of equipment, less any portion of that sum you paid as rent, lease payments, or interest and a depreciation allowance of 25% for each year since their purchase

but not less than 10% of the original cost of each item; and (iii) sell all or any part of the goods, supplies, merchandise, Inventory, Food Products, and Ingredients in the Subfranchise Location to us or our nominee for the same price you paid for them. If we do not exercise the right given us in clause (i) of this Paragraph, you shall do all things we require to de-identify the Subfranchise Location and remove or alter all elements and characteristics of its appearance that we consider part of our trade dress.

C. Notwithstanding any other provision of this Article, neither we nor our nominee shall be required to purchase any fixtures, equipment, goods, supplies, merchandise, Inventory, Food Products, or Ingredients of a brand we have not then approved or not meeting any specifications we have established or that is older than any expiration date on the goods, supplies, merchandise, or Food Product.

**27.2 Failure to Perform.** If you do not perform any act described in Section 27.1A within the time period provided, in addition to all other rights given to it by this Subfranchise Agreement or by law, we may:

a. Enter the Subfranchise Location without being deemed guilty of trespass or conversion or any other tort and without liability to you or your successors in interest and make the changes and removals described in Section 27.1A for and at your expense and you shall pay that expense on demand;

b. Execute for and in your name any instruments necessary to accomplish the things described in Section 27.1A, and you hereby irrevocably appoint, constitute, and designate us as your attorney-in-fact to do any acts and things necessary to accomplish the winding up of your Myungrang Shop and the Subfranchised Business in accordance with Section 27.1A; and

c. If we have a right to be permitted to occupy the Subfranchise Location, remove from the Subfranchise Location and store at your expense at a location we select any personal property in the Subfranchise Location that we choose to remove. All that property shall be forfeited to us for storage costs if it is not claimed and all storage costs are not paid within 90 days after the termination of this Subfranchise Agreement or the expiration of its term, as the case may be.

**28.0 RIGHT TO SPECIFIC PERFORMANCE AND INJUNCTION.** Because your Myungrang Shop is part of a system of commercial establishments that have a common appearance and present a uniform public identity and because the Myungrang Name, Marks, and Method are unique, your failure to comply with the terms of this Subfranchise Agreement would cause irreparable damage to MS, us, our Related Parties, other Myungrang subfranchisees, and the Myungrang Name, Marks, and Method. Accordingly, if you do not comply with any of your obligations as required by this Subfranchise Agreement, other than your obligations to pay money to us, we shall be entitled to a decree of specific performance enforcing those provisions and/or an injunction against continued conduct in violation of this Subfranchise Agreement against you, your officers, directors, shareholders, members, managers, partners, agents, servants, employees, and all others in active concert or participation with you, without notice and without bond or other security.

**29.0 LATE CHARGE; APPLICATION OF PAYMENTS; OFFSET; NONPERFORMANCE FEE; SERVICE CHARGES.**

**29.1 Late Charge.** If we do not receive payment of any sum payable to us under this Subfranchise Agreement on or before the due date, we shall incur expenses not contemplated by this Subfranchise Agreement, including (without limitation) processing, accounting, collection, and other administrative expenses, the exact amount of which it would be extremely difficult and impracticable to ascertain. Therefore, you agree that if we do not receive any payment due to us from you under this Subfranchise Agreement on or before the due date, you shall deliver to us with the past due payment a late charge equal to 10% of the past due payment but not less than \$50. You agree that this late charge represents a fair and reasonable estimate of the expenses we will incur as a result of late payments. Acceptance of any late charge shall not constitute a waiver of your default with respect to the past due amount or prevent us from exercising any other rights given us by this Subfranchise Agreement or law.

**29.2 Application of Payments; Offset.** We may apply any payments received from you to any items then due or past due from you regardless of any designation you make. We may offset against any sums belonging to you or to which you are entitled any sums you owe us or will, with the passage of time, owe us. You may not offset against any amounts due or payable to us any sums you claim are due from us to you without our prior written consent.

**29.3 Noncompliance Fee.** You acknowledge that if you have not complied with one or more of your obligations in Articles 10, 11, or 14 through 16 and Section 8.2 (the "Standards Provisions") and you fail to cure that noncompliance in the time period provided in our notice, MS, we, and other subfranchisees will suffer damage to the goodwill and public image of the Myungrang System, the exact amount of which is not readily ascertainable with certainty. Accordingly, you agree that as a reasonable estimate of the damage, if we give you notice of a violation of any of the Standards Provisions and you do not cure that violation in the time period provided in our notice, you shall pay us, in addition to all other sums due to us, a \$500 noncompliance fee for each default. You shall deliver the noncompliance fee to us within five business days after you receive an invoice and we may collect it in any manner, including (without limitation) by electronic withdrawal or credit card charge as provided in Section 3.5.

**29.4 Service Charge.** You acknowledge that if we exercise any of the rights given us by Article 11 (maintenance; Refurbishment; additional FFE), Article 12 (recordkeeping; reports; inspections and audits), Section 14.3 (advertising and promotional campaigns), Section 14.10 (signs), Section 14.11 (digital menu displays), Article 17 (insurance), or Article 19 (taxes and assessments; permits and sublicenses) (collectively, the "Remediable Violations"), we will be performing for and on your behalf certain of your obligations and duties under this Subfranchise Agreement and, in so doing, we shall incur expenses not otherwise contemplated by this Subfranchise Agreement, the exact amount of which it would be extremely difficult and impracticable to ascertain. Those expenses include (without limitation) administrative costs related to the procurement and supervision of the remedial work, and processing, accounting, and collection costs. Therefore, if we take any remedial action permitted for any of the Remediable Violations, you shall pay us on demand, and we may withdraw electronically or charge to your credit card as provided in Section 3.5, in addition to all other sums due to us, a service charge equal to 5% of the charges we incurred in taking that remedial action, but not less than \$50. You agree that this service charge represents a fair and reasonable estimate of the costs we will incur in taking that remedial action. Acceptance of any service charge shall

not constitute a waiver of your default with regard to the obligation or duty we elected to fulfill, or prevent us from exercising any other rights given us by this Subfranchise Agreement or law.

### 30.0 ATTORNEYS' FEES AND COLLECTION COSTS.

**30.1 Litigation.** If any arbitration, action, or proceeding is brought to enforce rights under any portion of this Subfranchise Agreement, the prevailing party shall be entitled to recover all costs and reasonable attorneys' fees (including all fees incurred in connection with any appeal) as costs of suit (and not as damages). For purposes of this Section, prevailing party shall mean the party that is legally entitled to recover costs of suit. A party not entitled to recover costs of suit shall not recover attorneys' fees under this Section. Neither the amount of attorneys' fees awarded to a party nor the portion of an award to a party equal to the amount offered to that party in any statutory offer to compromise shall be included in calculating the amount of a judgment for purposes of determining whether a party is entitled to recover costs or attorneys' fees.

**30.2 Collection and Termination Costs.** You shall pay us on demand, in addition to all other sums due us, all attorneys' fees and other expenses we incurred in connection with the collection of any sums past due from you under this Subfranchise Agreement and/or the termination of this Subfranchise Agreement, whether or not a legal proceeding is commenced or final judgment is obtained, unless you are awarded attorneys' fees under Section 30.1 in a lawsuit brought by us to collect those sums or terminate your interest.

### 31.0 NOTICES; PAYMENTS.

**31.1 Addresses.** All notices and demands required or permitted to be given under this Subfranchise Agreement shall be given in writing and personally delivered or sent by facsimile transmission, overnight courier service, or United States registered or certified mail, postage prepaid, addressed as follows:

If to us: Myungrang America, LLC  
~~20627~~ 22632 Golden Springs  
Dr. #~~2-G~~ 105 Diamond Bar CA  
~~91789~~ 91765  
Email: myungrangamerica@gmail.com

If to you: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Email: \_\_\_\_\_

The addresses in this Section may be changed by giving notice of that change in accordance with this Section.

**31.2 Constructive Receipt.** If addressed or directed as provided in Section 31.1, notice shall be deemed to have been received upon delivery as to communications that are personally delivered or sent by overnight courier service, upon electronic or facsimile transmission if transmitted any business day before 5:00 p.m. local time at the place of receipt or on the next business day if transmitted after 5:00 p.m. local time, and upon the earlier of actual receipt

or three postal delivery days after deposit in any United States mail post office box in the state to which the notice is addressed or four postal delivery days after deposit in any United States mail post office box other than in the state to which the notice is addressed, postage prepaid and addressed as set forth in this Article.

**31.3 Delivery of Payments and Reports.** All payments and reports to be made or delivered to us under this Subfranchise Agreement shall be made or delivered as required by this Subfranchise Agreement and to the address in Section 31.1. A copy of any report this Subfranchise Agreement requires you to make shall also be sent by United States Postal Service regardless of delivery by any other method required or permitted by this Subfranchise Agreement. All payments must be received by us no later than the due date.

## **32.0 MISCELLANEOUS.**

**32.1 Time of Essence.** Time is of the essence of each provision of this Subfranchise Agreement.

**32.2 Successors and Assigns.** Except as otherwise provided in Articles 20, 21, and 22 the terms of this Subfranchise Agreement shall apply to, be binding upon, inure to the benefit of, and be enforceable by your and our respective personal representatives, successors in interest, heirs, and assigns.

**32.3 Severability; Modification.** If any term, covenant, or condition of this Subfranchise Agreement or the application of it to any person, entity, or circumstance is held invalid or unenforceable to any extent by a final decision of a court of competent jurisdiction, after all appeal rights have been exhausted or have expired, that term, covenant, or condition shall be deemed amended to the extent and for purposes of that application to render it enforceable to the fullest extent permitted by law. The remainder of this Subfranchise Agreement, or the application of that term, covenant, or condition to persons, entities, or circumstances other than those as to which it is held invalid or unenforceable shall not be affected and shall be valid and enforced to the fullest extent permitted by law. Except as otherwise provided in this Section, no amendment to or modification of this Subfranchise Agreement shall be effective unless contained in a writing signed by you and us.

## **32.4 Entire Agreement.**

A. This Subfranchise Agreement is intended to be a final expression of the agreement between you and us regarding your Myungrang Shop and the Subfranchised Business; its terms may not be contradicted by evidence of any prior or contemporaneous agreements. We and you further intend this Subfranchise Agreement to be a complete and exclusive statement of the terms of our agreement regarding your Myungrang Shop and the Subfranchised Business; no extrinsic evidence other than the related agreements to which reference is made in this Subfranchise Agreement or that are schedules or exhibits to this Subfranchise Agreement may be used to interpret, explain, or supplement this Subfranchise Agreement.

B. Nothing in this Subfranchise Agreement or any related agreement we have made with you is intended to or shall disclaim any representation contained in the last Franchise Disclosure Document we delivered to you or require you to waive reliance on any representation made in that Franchise Disclosure Document or any exhibit or amendment to it.

**32.5 Headings.** The headings in this Subfranchise Agreement are for convenience only and shall have no effect on its interpretation.

**32.6 Waiver.** No waiver by either party of any of its rights under this Subfranchise Agreement shall be effective unless contained in a writing delivered to the other party. No course of dealing, delay in exercising any right, power, or remedy, acceptance of payments, late charges, or performance from a party when that party is in default, or enforcement of any remedy shall operate as a waiver or otherwise prejudice of the other party's rights, powers, or remedies under this Subfranchise Agreement.

**32.7 Remedies Cumulative.** All rights and remedies of the parties under this Subfranchise Agreement shall be cumulative and none shall exclude any other right or remedy given it by this Subfranchise Agreement or by law. The exercise by a party of any right or remedy provided by this Subfranchise Agreement or by law shall not prejudice, exclude, or waive that party's right to avail itself of any other right or remedy provided by this Subfranchise Agreement or by law and shall not act as or be deemed an election of remedies.

**32.8 Survival of Covenants.** Wherever the context requires, your covenants and duties under this Subfranchise Agreement shall survive the cancellation, termination, or expiration of the term of this Subfranchise Agreement.

**32.9 Governing Law.** The laws of the State where the Subfranchise Location is situated, without regard to its law on conflicts of law, shall govern the validity, construction, performance, and enforcement of this Subfranchise Agreement any dispute relating to it, your Myungrang Shop, the Subfranchised Business, the Subfranchise Location, or the relationship between us and you.

**32.10 Forum; Venue.** Any legal action, claim, or lawsuit directly or indirectly arising out of or related to this Subfranchise Agreement, your Myungrang Shop, the Subfranchise Location, or the relationship between us and you shall be instituted exclusively in the federal or state courts located in the County of Los Angeles, State of California, and nowhere else. Any such legal

action, claim, or lawsuit as to which there is for any reason federal jurisdiction shall be instituted exclusively in a federal district court located in the United States District Court having jurisdiction over Los Angeles County, California.

**32.11 No Class Actions; No Jury Trial.** No action or proceeding directly or indirectly arising out of this Subfranchise Agreement, your Myungrang Shop, the Subfranchised Business, the Subfranchise Location, or the relationship between us and you shall be brought as a class action. Any claim you bring or assert against us shall be brought or asserted only by and for you individually and not as a member of any class. To the maximum extent permitted by Applicable Laws, you waive any right to a jury trial in any action or proceeding arising out of or related to this Subfranchise Agreement, your Myungrang Shop, the Subfranchise Location, or the relationship between us and you.

**32.12 Relationship of Parties.** The relationship between you and us is, and shall at all times be, only that of sublicensee and licensor. You are not and shall not hold yourself out as our agent, employee, legal representative, subsidiary, joint venturer, or partner and nothing contained in this Subfranchise Agreement or elsewhere shall be construed to create any relationship between you and us other than independent contractors. You shall not have any right or power to and shall not attempt to bind, make liable, or obligate us in any manner whatsoever.

**32.13 Joint and Several Liability.** The liability of each individual or entity executing this Subfranchise Agreement as subfranchisee shall be joint and several.

**32.14 Recitals; Schedule and Exhibits.** The recitals set forth in paragraphs A through F at the beginning of this Subfranchise Agreement are the basic premises of this Subfranchise Agreement and are incorporated in it. The Exhibits and Schedule referred to in this Subfranchise Agreement are attached and incorporated in it by this reference.

**32.15 Use of Pronoun.** The word you shall be deemed and taken to mean each and every person or entity executing or authorizing execution of this Subfranchise Agreement as subfranchisee. The use of the neuter singular shall be deemed to include the plural, nonbinary, feminine, and masculine.

**32.16 Covenants and Conditions.** Each of your obligations and duties under this Subfranchise Agreement shall be deemed to be not only a covenant but also a condition to any of our obligations or duties.

**32.17 Counterparts; Electronic Signatures.** This Subfranchise Agreement may be executed in one or more counterparts, all of which taken together shall constitute one original agreement. Facsimile, digital, and electronic signatures shall be as effective as original signatures. Counterparts transmitted by facsimile transmission or electronically (including, without limitation, as a PDF attached to an electronic mail message) shall be as effective as an original. But either party shall deliver to the other within five days after written request a manually signed counterpart of any digitally signed counterpart.

**32.18 Anti-Terrorism Law Compliance.** You represent and warrant to us that: (a) neither you nor any of your shareholders, members, officers, directors, managers, employees, or anyone associated with your Myungrang Shop or the Subfranchised Business in any way (collectively, “Associates”) is subject to sanctions of the United States government or is in violation of any laws relating to anti-corruption, anti-bribery, terrorism, money laundering or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Action of 2001, Public Law 107-56, as amended, and Executive Order No. 13224 (Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism) (the “Executive Order”) (collectively, the “Anti-Bribery, Anti-Money Laundering, and Anti-Terrorism Laws”); (b) neither you nor any of your Associates is acting, directly or indirectly, on behalf of terrorists, terrorist organizations, or narcotics traffickers, including those persons or entities that appear on the Annex to the Executive Order, or are included on any relevant lists maintained by the Office of Foreign Assets Control of the United States Department of Treasury, United States Department of State, or other United States governmental authority, all as may be amended from time to time; (c) neither you nor any of your Associates is a country, territory, individual, or entity named on any of (i) the two lists maintained by the United States Department of Commerce (Denied Persons and Entities), (ii) the list maintained by the United States Department of Treasury (Specially Designated Nationals and Blocked Persons), and (iii) the two lists maintained by the United States Department of State (Terrorist Organizations and Debarred Parties); (d) neither you nor any of your Associates is currently the subject of any United States sanctions program administered by the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”) and none of the funds to be used in connection with your Myungrang Shop constitute property of, or are held by any person currently subject to any United States sanctions program administered by OFAC, nor are those funds derived from or the result of any unlawful activity; (e) no property owned by or interests of you or any of the Associates is subject to being “blocked” under any of the Anti-Bribery, Anti-Money Laundering, and Anti-Terrorism Laws; and (f) if any of the Associates becomes subject to or violates any of the Anti-Bribery, Anti-Money Laundering, and Anti-Terrorism Laws you shall immediately sever their relationship with you and your Myungrang Shop and/or the Subfranchised Business. Any violation of this Section is an incurable breach of this Subfranchise Agreement that gives us the right to terminate this Subfranchise Agreement without prior notice. Your representations and warranties set forth in this Section shall survive the expiration or earlier termination of this Subfranchise Agreement.

**32.19 Information; Investigation; Compliance with FTC Rule and State Law.** You acknowledge that you: (a) have had an opportunity to investigate and analyze your Myungrang Shop independently and discuss with your advisors as you thought appropriate the advisability, risks, and merits of purchasing and operating a Myungrang Shop subfranchise; (b) have had an opportunity to independently investigate, review, and analyze any Subfranchise Location presently identified in Schedule 1, understand that our indication that a location fits our basic site criteria does not constitute any warranty regarding its desirability, viability, or condition, and are not relying on any implicit or explicit representation from us regarding the Subfranchise Location; (c) received a copy of the Myungrang Franchise Disclosure Document at least 14

calendar days before the date you signed this Subfranchise Agreement and/or paid or gave us any consideration; and (d) received a copy of this Subfranchise Agreement and any Addenda to it in form for execution at least seven calendar days before the date you signed this Subfranchise Agreement.

**IN WITNESS WHEREOF**, we have caused this Subfranchise Agreement to be executed by our duly authorized officer and you have executed this Subfranchise Agreement or caused it to be executed by your duly authorized officer or manager as of the date first above written.

**US**

a California limited liability company  
Myungrang America, LLC,

By \_\_\_\_\_

**YOU**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

By \_\_\_\_\_

DO NOT

Andrew Joh, Manager

Dated: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Dated: \_\_\_\_\_  
\_\_\_\_\_  
(Print Name and Title)

**SUBFRANCHISE LOCATION**

**SUBFRANCHISE LOCATION  
SCHEDULE 1 TO  
SUBFRANCHISE AGREEMENT  
EXHIBIT D**

**SCHEDULE 1**

**SUBFRANCHISE LOCATION**

Location for Myungrang Shop selected by Subfranchisee this \_\_\_\_\_ day of \_\_\_\_\_.

Location: \_\_\_\_\_.

SUBFRANCHISEE

\_\_\_\_\_  
\_\_\_\_\_

Myungrang America, LLC,  
a California limited liability company

By \_\_\_\_\_

(Print Name and Title)

By \_\_\_\_\_

Andrew Joh, Manager

**MEMORANDUM OF TERM COMMENCEMENT DATE**

**MEMORANDUM OF TERM COMMENCEMENT DATE  
EXHIBIT A TO  
SUBFRANCHISE AGREEMENT  
EXHIBIT D**

EXHIBIT A

MEMORANDUM OF TERM COMMENCEMENT DATE

As provided by Section 2.1 of that certain Myungrang Korean Hot Dog Shop Subfranchise Agreement made and entered into by and between Myungrang America, LLC, a California limited liability company ("Subfranchisor") and the undersigned subfranchisee ("Subfranchisee"), the undersigned hereby confirms and states that the term of the Subfranchise Agreement commenced on \_\_\_\_\_, 20\_.

IN WITNESS WHEREOF, Subfranchisor and Subfranchisee have executed this Memorandum of Term Commencement Date.

SUBFRANCHISOR

Myungrang America, LLC,  
a California limited liability company

By: \_\_\_\_\_  
Andrew Joh, Manager

SUBFRANCHISEE

\_\_\_\_\_  
\_\_\_\_\_  
(Print Subfranchisee's Name)

By \_\_\_\_\_

\_\_\_\_\_  
(Print Name and Title)

**SUBFRANCHISE LOCATION LEASE ADDENDUM**

**SUBFRANCHISE LOCATION LEASE ADDENDUM  
EXHIBIT B TO  
SUBFRANCHISE AGREEMENT  
EXHIBIT D**

EXHIBIT B

ADDENDUM

TO LEASE DATED \_\_\_\_\_ (“Lease”)

BY AND BETWEEN

\_\_\_\_\_ (“Landlord”)

AND

\_\_\_\_\_ (“Tenant”)

FOR BENEFIT OF

MYUNGRANG AMERICA, LLC (“Subfranchisor”)

**FACTUAL BASES.**

A. Subfranchisor is the Subfranchisor and Tenant is the subfranchisee under that certain Myungrang Korean Hot Dog Shop Subfranchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Subfranchise Agreement”), pursuant to which Subfranchisor has granted Tenant a franchise to operate a Myungrang Korean Hot Dog Shop (the “Subfranchised Business”).

B. Tenant wishes to enter into a Lease with Landlord (the “Lease”) for the premises owned by Landlord described in Schedule 1 (the “Premises”).

C. Subfranchisor has approved Tenant’s request to locate the Subfranchised Business in the Premises so long as the terms and conditions set forth in this Addendum are made a part of the Lease.

D. Recognizing the value of having the Subfranchised Business in the Premises and wishing to take the action necessary to permit Tenant to enter into the Lease, Landlord is willing to amend the Lease as set forth in this Addendum.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree to modify, amend, and supplement the Lease as follows:

**1. Use of Marks, Trade Dress, Signage, and Menu Boards.** Landlord shall permit Tenant to install in the Premises the tenant improvements designated by Subfranchisor, decorate the Premises with the trade dress designated by Subfranchisor, use and install signs and menu boards designated by Subfranchisor from time to time, and change and redecorate the Premises as required by Subfranchisor from time to time. Any interruption in Tenant’s operations related to the exercise of these rights shall not constitute a violation of any continuous operation covenant in the Lease.

**2. Restricted Use.** The Premises shall be used solely for the operation of the Subfranchised Business and for no other purpose throughout the duration of the Lease and any extended occupancy by Tenant, except as Subfranchisor may otherwise agree in writing. Should Tenant lose the right to operate the Subfranchised Business, the Lease shall terminate unless Subfranchisor exercises its right to assume the Lease as provided in this Addendum.

**3. Subfranchisor's Right to Assume Lease.** Landlord grants Subfranchisor the right to assume the Lease at any time when Tenant is in default under the Lease or the Subfranchise Agreement, if the Subfranchise Agreement is terminated for any reason, if the Subfranchise Agreement expires, or if Tenant and Subfranchisor agree to terminate the Subfranchise Agreement for any reason, all without fulfilling any of the requirements or conditions of the Lease pertaining to assignment and notwithstanding any conditions to assumption set forth in the Lease. Upon receipt of Subfranchisor's written notice of the assumption of the Lease as provided in this Addendum, Landlord shall recognize Subfranchisor's assumption of the Lease and shall recognize Subfranchisor as the tenant under the Lease in place and stead of Tenant, and Subfranchisor will thereafter be bound by all of the terms and conditions of the Lease. Any assumption of the Lease by Subfranchisor or subsequent assignment of the Lease by Subfranchisor as permitted by this Addendum will not release Tenant from its obligations under the Lease and any cure amount paid by Subfranchisor will be limited to an amount equal to two months of the base rent due under the Lease, less any security deposit held by Landlord. Unless and until Subfranchisor exercises its right to assume and agrees in writing to assume the Lease, Subfranchisor will have no liability or obligation to Landlord under the Lease or otherwise and shall not succeed to any liability for any default of Tenant that predates Subfranchisor's assumption of the Lease.

**4. Notices to Subfranchisor; Subfranchisor's Cure Period.** Landlord will deliver to Subfranchisor copies of each and every communication or notice in any medium whatsoever ("Notice") Landlord delivers to Tenant or to the Premises at the same time the Notice is delivered to Tenant. If the Notice is a notice of default under the Lease and Tenant fails to timely cure the noticed default in the cure period allowed by the Lease or the Notice (whichever is longer), as a condition to any further action by Landlord to terminate the Lease or Tenant's tenancy, on the business day after the cure period expires Landlord shall deliver to Subfranchisor written notice of Tenant's failure to timely cure ("No Cure Notice"). Subfranchisor shall have the option but no obligation to cure any default by Tenant. Subfranchisor shall have five business days after receipt of the No Cure Notice to deliver to Landlord notice that Subfranchisor elects to undertake to cure the default and 10 days after its receipt of the No Cure Notice to cure any monetary default or commence cure of any nonmonetary default not capable of being cured in 10 days, so long as after the expiration of the 10 day period Subfranchisor diligently pursues cure of any nonmonetary default (respectively, the "Cure Period"). If Subfranchisor delivers notice to Landlord that Subfranchisor will undertake cure of the default, Landlord shall not take any action to terminate the Lease until Subfranchisor's Cure Period has expired. Subfranchisor's election to cure shall not be deemed an election to assume the Lease unless and until Subfranchisor gives Landlord express written notice of assumption as provided in this Addendum. If Subfranchisor does not elect to cure any Tenant default or does not complete cure, Landlord may proceed directly against Tenant in the manner provided in the Lease but will have no rights or remedy against Subfranchisor.

**5. Subfranchisor's Assignment of Lease.** At any time after Subfranchisor delivers notice of its election to take an assignment of the Lease, Subfranchisor may assign the Lease or sublet the Premises to an affiliate of Subfranchisor or a franchisee approved by Subfranchisor by delivering written notice of the assignment and a copy of a written assignment and assumption signed by or on behalf of the affiliate or assignee, without charge or penalty. Upon any assignment, Subfranchisor shall be released from any further obligations under the Lease. Upon request by Subfranchisor, Landlord shall execute a written consent to assignment or subletting and a general release of Subfranchisor in a mutually acceptable form.

**6. Additional Covenants.** Landlord shall not accept Tenant's voluntary surrender of the Lease without Subfranchisor's prior written consent. Tenant and Landlord shall not renew or extend the term of the Lease without Subfranchisor's prior written consent. Tenant and Landlord shall not amend, modify, or alter any Lease term without Subfranchisor's prior written consent, in the absence of which no amendment, modification, or alteration of the Lease shall be enforceable against Subfranchisor or its assignees or subtenants. Tenant shall not assign its interest in the Lease or sublet all or any portion of the Premises without Subfranchisor's prior written consent, which may be withheld or conditioned on the same bases Subfranchisor may refuse to consent to or condition an assignment of the Subfranchise Agreement.

**7. De-Identification.** Subfranchisor shall deliver written notice to Landlord of any termination of the Subfranchise Agreement prior to its expiration. At any time not more than 30 days after any termination of the Subfranchise Agreement or 10 days after the expiration of the Subfranchise Agreement or the Lease, Subfranchisor may enter the Premises and remove all trade names, trade dress, and other trade indicia associated with Subfranchisor, including (without limitation) removing external and internal signage and menu boards and point of purchase materials and removing or modifying all architectural characteristics associated with Subfranchisor's trade identity as Subfranchisor deems necessary, all without being guilty of trespass or liable for any tort. Subfranchisor shall repair any damage to the Premises caused by Subfranchisor's removals as permitted by this Addendum.

**8. Access.** Subfranchisor may access the Premises during the Lease term to ensure compliance by Tenant with its obligations under the Subfranchise Agreement.

**9. Third Party Beneficiary; Addendum Supersedes.** Landlord and Tenant agree that Subfranchisor is an intended third party beneficiary of the Lease with an independent right to enforce its terms against Landlord and Tenant as provided in this Addendum.

**10. Renewals and Extensions.** If the Lease contains any right for renewal or extension that Tenant does not exercise, Landlord will give Subfranchisor written notice of Tenant's inaction (the "Renewal Notice"). For 30 days after receipt of the Renewal Notice, Subfranchisor shall have the option, but no obligation, to exercise Tenant's renewal or extension rights on the terms and conditions set forth in the Lease, except as to time for exercise, by delivering written notice to Landlord. Within 15 days after Landlord's receipt of Subfranchisor's notice of exercise as provided in this Addendum, Landlord and Subfranchisor shall execute a Lease assumption agreement in a mutually acceptable form, to be effective on commencement of the extension or renewal term.

**11. Notices.** Any notices given to Subfranchisor pursuant to this Addendum shall be in writing and delivered as provided in the Lease notice provisions. Subfranchisor's address for notice is:

Myungrang America, LLC  
~~20627~~ 22632 Golden Springs  
Dr. #2-G 105 Diamond Bar,  
California 91789 Attn: Andrew  
Joh

**12. Effect.** This Addendum amends, supplements, and modifies the Lease and shall be and is made a part of the Lease. If there is any conflict between the terms of the Lease and the terms of this Addendum, the terms of this Addendum will govern.

**13. Miscellaneous.** This Addendum will be binding upon and inure to the benefit of Landlord, Tenant, Subfranchisor and their respective successors, assigns, heirs, personal representatives, and subtenants. This Addendum sets forth the entire agreement of the parties with respect to Subfranchisor's rights, superseding any and all prior agreements and understandings between or among the parties to it relating to the subject matter of this Addendum. This Addendum may be amended only by written agreement signed by Landlord, Tenant, and Subfranchisor.

**SUBFRANCHISOR**

**TENANT**

MYUNGRUNG AMERICA, LLC,  
a California limited liability company

By \_\_\_\_\_  
Andrew Joh, Manager  
Date \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_  
By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**LANDLORD**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT B TO**

EXHIBIT DO / NOT SIGN

**SCHEDULE 1**

**PREMISES**

**EXHIBIT DO NOT FILL**

**SCHEDULE 1: PREMISES TO  
SUBFRANCHISE LOCATION LEASE ADDENDUM  
EXHIBIT B TO  
SUBFRANCHISE AGREEMENT  
EXHIBIT D**

LSADDNM2001

FA2003

FDD2107

INITIAL  
EXHIBIT DO / NOT SIGN

**SUBFRANCHISEE OWNER'S ASSUMPTION, GUARANTY, CONFIDENTIALITY AGREEMENT, AND  
ASSIGNMENT**

**SUBFRANCHISEE OWNER'S ASSUMPTION, GUARANTY, CONFIDENTIALITY  
AGREEMENT AND ASSIGNMENT  
EXHIBIT E**

**SUBFRANCHISEE OWNER'S ASSUMPTION, GUARANTY, CONFIDENTIALITY  
AGREEMENT, AND ASSIGNMENT**

**EXHIBIT DO NOT FILL**

(“Owner”) acknowledges that as a person owning an interest in a Myungrang Korean Hot Dog Shop Subfranchisee or an entity that owns an interest in a Myungrang Korean Hot Dog Shop Subfranchisee (“Subfranchisee”) granted by Myungrang America, LLC (“MA”), Owner:

A. Wishes to induce MA to enter into a Myungrang Korean Hot Dog Shop Subfranchise Agreement (the “Subfranchise Agreement”) with and grant a subfranchise to Subfranchisee and recognizes why MA would not grant a subfranchise to an entity Subfranchisee unless the entity’s owners stand behind the entity’s obligations under the Subfranchise Agreement;

B. Will obtain and have access to confidential information, trade secrets, and proprietary information, materials, and data that belong to MA , including (without limitation) Korean hot dog preparation methods, procedures, and technique; Korean hot dog shop operating techniques; product composition, recipes, formulations, selection, and characteristics; food preparation methods, techniques, and standards; quality control standards and mechanisms; product ideas and concepts; proprietary software; proprietary equipment; customer names, needs, requirements, preferences, and purchasing habits; names of vendors and suppliers; prices at which subfranchisees purchase and sell products, services, goods, and supplies; operating, production, and sales costs; sales, marketing, and business management techniques and information; employee compensation and other terms of employment; revenue, expense, sales, income, and other financial information; and other methods, standards, practices, ideas, inventions, improvements, plans, and information about the subfranchised business and its operation and the Myungrang method of doing business, subfranchise system, subfranchise operations, business, and products (collectively the “Proprietary Information”); and

C. Understands and agrees that MA relies on its subfranchisees and their owners, who use and benefit from MA’s resources, training, know-how, reputation, goodwill, and Proprietary Information, all of which MA and its licensor have developed at substantial cost, not only to preserve the secrecy of the Proprietary Information but also to generate and develop new and improved ideas, processes, techniques, methods, and recipes and new and additional business, all of which belong to MA and its licensor and are part of the value received by MA in return for the sublicense granted to Subfranchisee to use the Myungrang name, marks, and method of doing business and participate in the Myungrang subfranchise system.

**NOW, THEREFORE**, in consideration of the grant of a subfranchise to Subfranchisee, disclosure of the Proprietary Information, and the sublicense granted to Subfranchisee to use the Proprietary Information during the term of the subfranchise (which Owner acknowledges and agrees will benefit Owner), Owner hereby agrees:

**1. UNCONDITIONAL ASSUMPTION AND CONTINUING PERSONAL GUARANTY.**

**1.1 ASSUMPTION.** Owner consents to, approves, and agrees to be bound by the provisions of the Subfranchise Agreement and agrees that any and all of Owner’s interest in Subfranchisee shall be subject to the transfer restrictions and other provisions of the Subfranchise Agreement and that, except as expressly permitted by the Subfranchise Agreement, Owner will not transfer or attempt to transfer in any manner whatsoever any interest in Subfranchisee or cause or

permit Subfranchisee to issue any additional ownership interests of any kind or nature whatsoever without MA's prior written consent, which MA may withhold as set forth in the Subfranchise Agreement. Owner unconditionally and irrevocably assumes and agrees to perform as Owner's personal obligation, as if Owner were a primary and direct party to the Subfranchise Agreement, each and all of the terms, covenants, and conditions of the Subfranchise Agreement to be kept or performed by Subfranchisee, including (without limitation) payment of all sums that become due under the Subfranchise Agreement.

**1.2 PERSONAL GUARANTY.** Owner unconditionally, irrevocably, and continually guarantees the full performance of each and all of the terms, covenants, and conditions of the Subfranchise Agreement to be kept or performed by Subfranchisee, including (without limitation) payment of all sums that become due under the Subfranchise Agreement. Owner further agrees that:

- a. This guaranty shall continue in favor of MA notwithstanding any (i) extension, modification, or alteration of the Subfranchise Agreement; or (ii) assignment of the Subfranchise Agreement, with or without MA's consent;
- b. No extension, modification, alteration, or assignment of the Subfranchise Agreement shall in any manner release, discharge, or exonerate Owner;
- c. Owner consents to any extension, modification, alteration, or assignment of the Subfranchise Agreement;
- d. This guaranty shall continue in full force and effect and shall not be changed despite any bankruptcy, reorganization, or insolvency of Subfranchisee or any successor or assignee of Subfranchisee, or any disaffirmance or abandonment by a trustee of Subfranchisee;
- e. MA may assign or transfer this guaranty in whole or in part, with or without notice, and no assignment or transfer shall operate to extinguish or diminish Owner's liability;
- f. Owner's liability under this guaranty shall be primary and MA may, at its option, proceed against Owner for the payment or performance of any obligation of Subfranchisee under the Subfranchise Agreement without first seeking payment or performance by or instituting any action against Subfranchisee, and without joinder of Subfranchisee in any action to enforce this guaranty;
- g. Recourse may be had against Owner's separate property for Owner's obligations or liabilities under this guaranty regardless of whether the Myungrang Korean Hot Dog Shop subfranchise is community property;
- h. This guaranty shall be binding upon and inure to the benefit of the respective successors in interest, personal representatives, heirs, and assigns of MA and Owner; and
- i. Owner waives presentment, demand for performance, notice of default under the Subfranchise Agreement, notice of nonperformance, notice of acceptance of this guaranty, and diligence, and all other notices or formalities to which Owner might otherwise be entitled.

## **2. PROPRIETARY INFORMATION.**

**2.1 Ownership.** The Proprietary Information belongs to MA and its licensor and Owner disclaims any rights in it. Owner will use the Proprietary Information only in Owner's capacity as an owner and/or employee of Subfranchisee and during the term of Subfranchisee's Subfranchise Agreement and will not at any time during or after termination of Subfranchisee's Subfranchise Agreement directly or indirectly disclose, use, or communicate in any fashion, form, or manner any of the Proprietary Information or any proprietary or confidential

information of any kind, nature, or description concerning, affecting, or relating to MA's business or products except as expressly permitted by the Subfranchise Agreement and only during the term of the Subfranchise Agreement. Owner will never use any of the Proprietary Information for the benefit of any person or entity except MA or its Subfranchisees.

**2.2 No Copies.** Owner will not make any copies of any of the Proprietary Information or any documents, memoranda, reports, files, samples, correspondence, or other written records or materials related to or concerning MA's business or products (collectively, "Documents") without MA's prior written consent. Owner will return to MA on demand any copies of any Documents or Proprietary Information in Owner's possession

**2.3 No Disclosure; No Competitive Employment.** Owner joins in, assumes, and undertakes each and every covenant and duty pertaining to protection of Proprietary Information, trade secrets, trade or service marks, or other intellectual property, confidentiality, honesty, and accuracy set forth in the Subfranchise Agreement. Owner will not (a) directly or indirectly reveal to any person or entity any information Owner learns or learned about MA's business operations, methods, or customers, while Subfranchisee is a Myungrang Korean Hot Dog Shop subfranchisee or upon assignment, expiration, or termination of the Subfranchise Agreement for any reason; or (b) except as expressly permitted in writing by MA, undertake any employment or activity competitive with MA or Subfranchisee during the term of Subfranchisee's subfranchise, or after the term of Subfranchisee's subfranchise if the loyal and complete fulfillment of Owner's duties would require Owner to reveal, make judgments based upon, or otherwise use any of the Proprietary Information. Because the Proprietary Information is unique, MA will be entitled not only to damages for breach of the requirements and limitations pertaining to Proprietary Information but also to specific performance of them and an injunction against any action in violation of them, without having to post any bond.

**3. ASSIGNMENT OF INVENTIONS.** Owner will disclose to MA all methods, processes, procedures, techniques, ideas, discoveries, or other innovations that relate in any manner to the past, present, or contemplated business of MA or its licensor, or any area of business into which MA or its licensor might naturally expand, conceived or developed by Owner, alone or with others, during the term of the Subfranchise Agreement (collectively "Developments"). All Developments shall belong exclusively to MA and its licensor. During the term of the Subfranchise Agreement and at any time thereafter, Owner shall sign any documents MA deems necessary or desirable to assign to MA and/or its licensor all of Owner's interest in any Development or to obtain patents or copyrights for any Development in any country and Owner will assist MA and its licensor in obtaining patents and copyrights anywhere in the world. Owner hereby assigns, sells, and transfers to MA any and all interest Owner may have in the copyrights or any patent obtained for any Development. Owner represents and warrants to MA that all the work on any Development created by Owner is Owner's original work and that no other person or entity has any interest in any of it. Owner understands that this assignment requirement does not apply to inventions that qualify fully under California Labor Code Section 2870 to the extent it applies to Owner.

**4. SEVERABILITY; LEGAL FEES.** If any portion of this Agreement is found to be void or unenforceable, that portion shall be deemed amended to the extent necessary to make it fully enforceable and the remaining portions shall continue to be binding and fully enforceable. If any action is brought for breach of this Agreement, the prevailing party shall be entitled to an award of legal fees incurred in connection with that action.

**IN WITNESS WHEREOF,** Owner has executed this Agreement.

Signed: \_\_\_\_\_

\_\_\_\_\_  
PRINT NAME

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City and State

\_\_\_\_\_  
Telephone: home and cellular

\_\_\_\_\_  
Email

**CONSENT OF SPOUSE/DOMESTIC PARTNER**

**CONSENT OF SPOUSE/DOMESTIC PARTNER  
EXHIBIT F**

## CONSENT OF SPOUSE/DOMESTIC PARTNER

I, \_\_\_\_\_, hereby certify that I:

1. Am the spouse/domestic partner of \_\_\_\_\_ ("Owner"), who owns an interest in \_\_\_\_\_, a \_\_\_\_\_ that has signed a Myungrang Korean Hot Dog Shop Subfranchise Agreement dated as of \_\_\_\_\_ (the "Subfranchise Agreement"). Owner has signed a Subfranchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment for Myungrang America, LLC, a California limited liability company ("MA") (the "Owner's Agreement").

2. Have read the Subfranchise Agreement and the Owner's Agreement know their contents and that by their provisions Owner agrees to certain restrictions on the assign, sell, or transfer of any interest in the Subfranchise Agreement, agrees to maintain the confidentiality of certain information, and assigns to MA all rights in inventions and other intellectual property related to the business that is the subject of the Subfranchise Agreement (the "Subfranchised Business").

3. Acknowledge that I may have a community property or other interest in the Subfranchised Business.

4. Consent to and approve the provisions of the Subfranchise Agreement and the Owner's Agreement, accept and agree to be bound by the Subfranchise Agreement and the Owner's Agreement as if I had independently signed each of them, and agree that any and all of my interest, if any, in the Subfranchised Business shall be subject to the provisions of the Subfranchise Agreement and the Owner's Agreement.

5. Agree that I will not at any time take any action to hinder the operation of the Subfranchise Agreement or the Owner's Agreement or the performance of the terms of either of them with respect to my interest, if any, in the Subfranchised Business or any intellectual property that is the subject of the Owner's Agreement and will not attempt to dispose, by Will or otherwise, of all or any part of any interest I may have in Subfranchise Agreement or the Subfranchised Business and that the residuary clause of my Will shall be deemed not to apply to any interest in either of them.

6. Agree that in connection with any dissolution of my present marriage or domestic partnership I will transfer to my spouse or domestic partner any and all of my interest, actual or beneficial, in the Subfranchise Agreement and the Subfranchised Business.

7. Consent to having my interest, if any, in the Subfranchise Agreement and the Subfranchised Business held by Owner in Owner's name alone and managed, controlled, and disposed of solely by Owner.

8. Appoint Owner as my attorney-in-fact for the exercise of any rights or obligations under the Subfranchise Agreement or the Owner's Agreement.

9. Agree that this Consent shall be binding on my executors, administrators, heirs, and assigns.

10. Agree to execute and deliver any other documents necessary or desirable to carry out the intent of the Subfranchise Agreement, the Owner's Agreement, or this Consent.

11. Am aware that the legal, financial, and business interests and matters covered by the Subfranchise Agreement and the Owner's Agreement are complex and that I should seek independent professional guidance or counsel with respect to them if I wish to have that advice.

12. Acknowledge that I have either sought independent guidance, including legal and financial guidance or counsel or determined after reviewing the Subfranchise Agreement and the Owner's Agreement carefully that I will waive the right to do that.

13. Acknowledge that I am under no disability or impairment that affects my decision to sign this Consent and I knowingly and voluntarily intend to be legally bound by this Consent.

IN WITNESS WHEREOF, I have executed this Consent knowingly and voluntarily as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**GENERAL RELEASE AND COVENANT SURVIVAL ACKNOWLEDGEMENT**

## GENERAL RELEASE AND COVENANT SURVIVAL ACKNOWLEDGEMENT

THIS GENERAL RELEASE AND COVENANT SURVIVAL ACKNOWLEDGEMENT is made and entered into as of \_\_\_\_\_, 20\_\_\_\_ by \_\_\_\_\_ (“Subfranchisee”), \_\_\_\_\_ (“\_\_\_\_\_”), \_\_\_\_\_ (“\_\_\_\_\_”), and \_\_\_\_\_ (“\_\_\_\_\_”) (individually and collectively, “Releasors”) for the benefit of Myungrang America, LLC, a California limited liability company (“Subfranchisor”) and its parents, subsidiaries, affiliates, officers, directors, shareholders, agents, employees, independent contractors, and attorneys (collectively, “Released Parties”) with reference to the following facts:

A. Subfranchisee is the subfranchisee of a Myungrang Korean Hot Dog Shop subfranchise located at \_\_\_\_\_ (the “Subfranchised Business”) pursuant to a Subfranchise Agreement between it and Subfranchisor dated as of \_\_\_\_\_ (the “Subfranchise Agreement”).

\_\_\_\_\_ are all of the owners of Subfranchisee.

B. Subfranchisee is transferring all of its right, title, and interest in the Subfranchised Business, any lease (“Lease”) of the premises where the Subfranchise is operated (“Premises”), all of the furniture, fixtures, equipment, goods, inventory, supplies, and other personal property located in or on the Premises or used in the operation of the Subfranchised Business, and all of its interest in the Subfranchise Agreement to \_\_\_\_\_ (“Assignee”).

C. The Subfranchise Agreement requires that Releasors release all claims against each of the Released Parties upon transfer of Subfranchisee’s interest in the Subfranchise Agreement.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, each of Releasors hereby agrees:

### 1. RELEASE.

**1.1 GENERAL RELEASE OF RELEASED PARTIES.** On and as of the effective date of this Release, each of Releasors, for it, her, or himself and for it, her, or his shareholders, directors, officers, members, managers, spouse (individually and as manager of any community property interest in Subfranchisee), domestic partner, heirs, beneficiaries, executors, administrators, predecessors and successors in interest, and assigns, and for every person or entity with any interest, direct or indirect, in Subfranchisee on the effective date of this Release, hereby releases, acquits, and forever discharges each of the Released Parties, and their respective heirs, beneficiaries, executors, administrators, predecessors and successors in interest, and assigns of those and their respective officers, directors, shareholders, agents, and employees, and every person or entity with any interest in any of them, from any and all duties, claims, debts, liabilities, demands, obligations, expenses, damages, actions, and causes of action of any kind or nature whatsoever, whether known or unknown, suspected or unsuspected (collectively, “Claims”) arising prior to the effective date of this Release, including (without limitation) those arising out of or related in any manner whatsoever to the Subfranchised

Business, the Subfranchise Agreement, or any alleged breach of contract, misrepresentation, or violation of any statute, law, rule, or regulation relating to the offer or sale of franchises, business opportunities, seller assisted marketing plans, or similar methods of distribution.

**1.2 Unknown Claims.** Each of Releasors acknowledges and agrees that it, she, or he intends this Release to be effective as a bar to each and all of the Claims, even though it, she, or he recognizes that it, she, or he may be releasing Claims of which it, she, or he is totally unaware or unsuspecting and that it, she, or he might be unwilling to release if known. Accordingly, each of Releasors expressly agrees that this Release shall be given full force and effect according to each and all of its express terms and provisions, including (without limitation) those related to unknown and unsuspected claims, demands, or causes of action, if any, and shall deprive it, her, or him of all Claims against any or all of the Released Parties. In furtherance of this intention, each of Releasors expressly waives any and all rights or benefits that might otherwise be conferred on it, her, or him by California Civil Code Section 1542 or any similar law that may apply. California Civil Code Section 1542 provides:

“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”

**1.3 No Assignment.** Each of Releasors represents and warrants to each Released Party that it, she, or he has not assigned or transferred, or purported to assign or transfer, to any other person or entity any claim or other matter released by this Release. Each of Releasors shall indemnify, defend, and hold harmless each of the Released Parties from and against any loss, claims, costs, or expenses (including, without limitation, all legal, expert, and other fees and costs related to the defense of any action) based upon or arising out of any claimed assignment or transfer by it, her, or him.

**2. SURVIVAL OF COVENANTS.** Each of Releasors confirms and acknowledges that the following Sections of the Subfranchise Agreement survive the assignment of the Subfranchise Agreement and that it, she, or he continues to be bound by Subfranchise Agreement Sections \_\_\_\_\_. Each of Releasors confirms and acknowledges that the Subfranchisee Owner’s Assumption, Guaranty, Confidentiality Agreement, and Assignment remains in full force and effect.

**3. LEGAL FEES.** Should any action or proceeding be brought to interpret or enforce rights pursuant to this Release, the party prevailing in that action shall be entitled to recover reasonable legal fees, including (without limitation) costs and fees incurred in connection with any appeal, as costs of suit (and not as damages).

**4. GOVERNING LAW.** The laws of the state where the Subfranchised Business is located shall govern the interpretation, construction, and enforcement of this Release.

**5. REPRESENTATION.** Each of Releasors acknowledges and warrants that it, she, or he has had the opportunity to be represented by counsel of its, her, or his own choosing in connection with the preparation and execution of this Release and the negotiation of its terms, and has done so to the extent it, she, or he deemed necessary. Accordingly, although this Release was initially prepared by counsel for Subfranchisor, it shall not be construed more strictly against one party than another.



## **SUBFRANCHISEE CERTIFICATION**

MYUNGRANG AMERICA, LLC

MYUNGRANG KOREAN HOT DOG SHOP SUBFRANCHISEE CERTIFICATION

In connection with the execution of a Subfranchise Agreement between you and Myungrang America, LLC, a California limited liability company (“we”, “us”, or “our”) for your development and operation of a Myungrang Korean Hot Dog Shop subfranchise (the “Subfranchise”), we wish to determine whether any of our employees or representatives has made any statement or promise to you that we have not authorized and that may be untrue, inaccurate, misleading, or unenforceable.

Please review each of the questions and statements below carefully and be sure that the responses you provide are accurate and complete.

1. Have you received and personally reviewed the Subfranchise Agreement, all other agreements you will sign with us (“Related Agreements”), and all schedules, exhibits, addenda, and amendments to all of them?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. Do you understand all of the information contained in the Subfranchise Agreement, each Related Agreement, and all schedules, exhibits, addenda, and amendments to all of them?

Yes \_\_\_\_\_ No \_\_\_\_\_

If not, what parts of the Subfranchise Agreement, Related Agreements, schedules, exhibits, addenda, and amendments do you not understand? (Attach additional pages, if necessary.)

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3. Have you received and personally reviewed our Franchise Disclosure Document (“FDD”) dated September 21, 2022?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Did you sign a receipt for the FDD that correctly reflects the date you first received the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Do you understand all of the information contained in the FDD and any state-specific Addendum to it?

Yes \_\_\_\_\_ No \_\_\_\_\_

If not, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

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6. Have you discussed with an attorney, accountant, and/or other professional advisor the benefits and risks of entering into the Subfranchise Agreement and developing and operating a subfranchised Myungrang Korean Hot Dog Shop?

Yes \_\_\_\_\_ No \_\_\_\_\_

If not, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Do you understand that the success or failure of your subfranchised Myungrang Korean Hot Dog Shop will depend in large part on your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Has any employee or other person claiming to speak on our behalf made any statement or promise concerning the actual or possible revenues, profits, or operating costs of a subfranchised Myungrang Korean Hot Dog Shop that is contrary to, different from, or in addition to the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Has any employee or other person claiming to speak on our behalf made any statement or promise regarding the amount of money you may earn in operating a subfranchised Myungrang Korean Hot Dog Shop?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Has any employee or other person claiming to speak on our behalf made any statement or promise concerning the total amount of revenue a subfranchised Myungrang Korean Hot Dog Shop will or may generate?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Has any employee or other person claiming to speak on our behalf made any statement or promise regarding the costs you may incur in operating a subfranchised Myungrang Korean Hot Dog Shop that is contrary to, different from, or in addition to the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Has any employee or other person claiming to speak on our behalf made any statement or promise concerning the likelihood of your success operating a subfranchised Myungrang Korean Hot Dog Shop?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. Has any employee or other person claiming to speak on our behalf made any statement, agreement, or promise concerning the advertising, marketing, training, support service, or assistance we will furnish to you that is contrary to, different from, or in addition to the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. Have you entered into any written agreement with us concerning the purchase of a subfranchised Myungrang Korean Hot Dog Shop before today?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. Have you paid any money to us relating to the purchase of a subfranchised Myungrang Korean Hot Dog Shop before today?

Yes \_\_\_\_\_ No \_\_\_\_\_

16. Do you understand that the Subfranchise Agreement contains the entire agreement between you and us concerning the and your rights to and with regard to it and that any prior oral or written statements not set out in the Subfranchise Agreement will not be binding?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. If you have answered “yes” to any of questions 8-15, please provide a full explanation of each “yes” answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “no” to each of questions 8-15, please draw a diagonal line through the following lines.

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I signed the Subfranchise Agreement and Addenda (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no agreement or addendum is effective until signed and dated by you.

**YOUR ANSWERS ARE IMPORTANT TO US AND WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED CAREFULLY AND RESPONDED TRUTHFULLY TO EACH QUESTION ABOVE.**

SUBFRANCHISEE APPLICANT

\_\_\_\_\_  
Individual or Entity Name

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title if Subfranchisee is  
not an Individual

\_\_\_\_\_, 20\_\_\_\_  
Date

## **SUBFRANCHISEE INFORMATION**

SUBFRANCHISEE INFORMATION

1. Approved location: \_\_\_\_\_

2. Address for notices (if different than 1): \_\_\_\_\_

3. Subfranchisee's ownership and management. Subfranchisee is [check one]  
(a) an individual who is not married and is not a domestic partner  
(b) married couple  
(c) domestic partners  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(d) a corporation State of incorporation: \_\_\_\_\_

(e) a limited liability company State of formation: \_\_\_\_\_

(f) a general partnership State of formation: \_\_\_\_\_

(g) a limited partnership State of formation: \_\_\_\_\_

(h) other Identity of general partner: \_\_\_\_\_

4. The following persons are the owners, officers, directors, and managers of Subfranchisee and their spouses or domestic partners:

| Name and Address               | Home Telephone, Cell Phone, and Personal Email | Indicate all positions held as Manager or Officer, Director, and/or partner and nature and percentage of ownership |  |  |
|--------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|--|--|
|                                |                                                |                                                                                                                    |  |  |
|                                |                                                |                                                                                                                    |  |  |
| 5. Initial Shop Manager is:    |                                                |                                                                                                                    |  |  |
| 6. Owner-Operator, if any, is: |                                                |                                                                                                                    |  |  |
|                                |                                                |                                                                                                                    |  |  |

**STATE ADDENDUM**

## CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

OUR WEBSITE, [WWW.MYUNGRANGAMERICA.COM](http://WWW.MYUNGRANGAMERICA.COM), 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](http://WWW.DFPI.CA.GOV).

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE SUBFRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

No Statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other terms of any document executed in connection with the franchise.

Before franchisor can ask you to materially modify your existing franchise agreement, Section 31125 of the California Corporations Code requires the franchisor to file a material modification application with the Department that includes a disclosure document showing the existing terms and the proposed new terms of your franchise agreement. Once the application is registered, the franchisor must provide you with that disclosure document with an explanation that the changes are voluntary.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporation Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

### **ITEM 3. LITIGATION**

Neither we nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

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

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning assignment, termination, transfer, or non-renewal of a franchise. California Corporations Code Sections 31000 through 31516, and California Code of Regulations, Sections 310.000 through 310.505 provide additional rights. If the Subfranchise Agreement contains a provision that is inconsistent with the law, the law will control.

Section 25(t) and (u) of the Subfranchise Agreement allow us to terminate if you become insolvent or if a petition in bankruptcy is filed by you or filed against and consented to by you or not dismissed within 60 days. This provision may not be enforceable under federal bankruptcy law. (11

U.S.C.A. § 101 et seq.)

## STATE EFFECTIVE DATES

### **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:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   | March 11, 2022        |
| Hawaii       | N/A                   |
| Illinois     | N/A                   |
| Indiana      | N/A                   |
| Maryland     | N/A                   |
| Michigan     | N/A                   |
| Minnesota    | N/A                   |
| New York     | December 28, 2022     |
| North Dakota | N/A                   |
| Rhode Island | N/A                   |
| South Dakota | N/A                   |
| Virginia     | N/A                   |
| Washington   | N/A                   |
| Wisconsin    | N/A                   |

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

**RECEIPT**

**RECEIPT  
EXHIBIT L**

## 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 Myungrang America, LLC offers you a franchise, it must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that Myungrang America, LLC provide this disclosure document to you at the earlier of the first personal meeting or 10 business days before you sign any agreement with or make a payment to us or our affiliate that relates to the franchise relationship.

Michigan requires that Myungrang America, LLC provide this disclosure document to you at least 10 business days before you sign any agreement with or make any payment to us or our affiliate, whichever occurs first.

If Myungrang America, 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 applicable state agency listed in Exhibit A.

The name, principal business address and telephone number of the seller offering the subfranchise is indicated below:

| Name          | Address                                                                                                                                              | Telephone Number |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 1. Andrew Joh | Myungrang America, LLC<br><del>20627</del> 22632 Golden Springs Dr.,<br>Unit <del>2-G</del> Diamond Bar, California<br><del>91789</del> <u>91765</u> | (909)547-7840    |

Date of Issuance: February ~~16~~ 19, 2023 2024.

See Exhibit A for our registered agents authorized to receive service of process.

I have received the Myungrang America, LLC disclosure document dated February ~~16~~ 19, 2023 2024, that included the following Exhibits:

- |                                                                                         |                                                         |
|-----------------------------------------------------------------------------------------|---------------------------------------------------------|
| A State Administrators and Agents for Service of Process                                | F Consent of Spouse/Domestic Partner                    |
| B Operational Manual and Recipe Manual Tables of Contents                               | G General Release and Covenant Survival Acknowledgement |
| C Financial Statements                                                                  | H Subfranchisee Certification                           |
| D Subfranchise Agreement                                                                | I Subfranchisee Information                             |
| E Subfranchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment | J State Addendum                                        |
|                                                                                         | K State Effective Dates                                 |
|                                                                                         | L Receipt                                               |

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name of Subfranchisee

Return our copy of this receipt to:  
Myungrang America, LLC  
~~20627~~ 22632 Golden Springs Dr.  
Unit ~~2-G~~ 105  
Diamond Bar, California ~~91789~~ 91765  
Attn: Manager  
Fax: (626) 217-4939

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Signer

\_\_\_\_\_  
Print Signer's Title if Subfranchisee is not an Individual

RECEIPT  
EXHIBIT L

Our Copy - Please Return

## 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 Myungrang America, LLC offers you a franchise, it must provide this disclosure document to you at least 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.

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If Myungrang America, 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 applicable state agency listed in Exhibit A.

The name, principal business address and telephone number of the seller offering the subfranchise is indicated below:

| Name          | Address                                                                                                                                   | Telephone Number |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 1. Andrew Joh | Myungrang America, LLC<br><del>20627</del> 22632 Golden Springs Dr,<br>Unit <del>2-G</del> 105, Diamond Bar, CA<br><del>94789</del> 91765 | (909) 547-7840   |

Date of Issuance: February ~~46~~ 19, ~~2023~~ 2024.

See Exhibit A for our registered agents authorized to receive service of process.

I have received the Myungrang America, LLC disclosure document dated February ~~46~~ 19, 2023 4, that included the following Exhibits:

- |                                                                                         |                                                         |
|-----------------------------------------------------------------------------------------|---------------------------------------------------------|
| A State Administrators and Agents for Service of Process                                | F Consent of Spouse/Domestic Partner                    |
| B Operational Manual and Recipe Manual Tables of Contents                               | G General Release and Covenant Survival Acknowledgement |
| C Financial Statements                                                                  | H Subfranchisee Certification                           |
| D Subfranchise Agreement                                                                | I Subfranchisee Information                             |
| E Subfranchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment | J State Addendum                                        |
|                                                                                         | K State Effective Dates                                 |
|                                                                                         | L Receipt                                               |

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name of Subfranchisee

Return our copy of this receipt to:  
Myungrang America, LLC  
~~20627~~ Golden Springs Dr  
Unit ~~2-G~~  
Diamond Bar, California 91789  
Attn: Manager  
Fax: (626) 217-4939

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Signer

\_\_\_\_\_  
Print Signer's Title if Subfranchisee is not an Individual

RECEIPT  
EXHIBIT L

Your Copy - Please Retain

\_\_\_\_\_

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\_\_\_\_\_