

FRANCHISE DISCLOSURE DOCUMENT



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L & L Franchise, Inc. offers franchises for a quick service Hawaiian-style restaurant under the trade name L & L Hawaiian Barbecue.

The total investment necessary to begin operation of an L & L Hawaiian Barbecue franchise is from \$210,190 to \$839,860. This includes \$35,000 that must be paid to us or our affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact L & L Franchise at 2138 Algaroba Street, Honolulu, Hawaii 96826, or call 808-951-9888.

The terms of your contract will govern your franchise relationship. Do not rely on this disclosure document alone to understand your contract. Read your entire contract and the attachments 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 the publication entitled "[A Consumer's Guide to Buying a Franchise](#)," can help you understand how to use this disclosure document. This publication is available from the Federal Trade Commission (FTC) by contacting the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's website at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising. There

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

Date of Issuance: May 20, 2024

How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|--|---|
| How much can I earn? | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F. |
| How much will I need to invest? | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| Does the franchisor have the financial ability to provide support to my business? | Item 21 or Exhibit C includes financial statements. Review these statements carefully. |
| Is the franchise system stable, growing, or shrinking? | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| Will my business be the only L & L System Restaurant business in my area? | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| Does the franchisor have a troubled legal history? | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| What's it like to be L & L System franchisee? | Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences. |
| What else should I know? | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Hawaii, specifically in Honolulu. The venue of 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 Honolulu, Hawaii than in your own locality.
2. **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.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

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

For ease of reference in this disclosure document, L & L Franchise, Inc. may be referred to as “we”, “us”, “our” or as the “franchisor,” while the person who is considering the purchase of the franchise is referred to as “you”, “your,” “Franchisee,” or “Operator.” If you are a corporation, limited liability company or partnership, certain provisions of the franchise agreement and related agreement apply to your shareholders, officers, directors, members or partners, as applicable.

Franchisor, Parent, and Affiliates

L & L Franchise, Inc. is the franchisor. We are a corporation that was incorporated in Hawaii on March 20, 1991. We maintain our principal place of business at 2138 Algaroba Street, Honolulu, Hawaii 96826. Our primary activities include offering and supporting franchises. We presently offer franchises under the trade name L & L Hawaiian Barbecue. In the past, we have offered franchises under the trade names L & L Drive-Inn, L & L Hawaiian Grill, and L & L Hawaiian Mixplate. We offered franchises for L& L Drive-Inn starting in 1991, for L & L Hawaiian Grill starting in 2006, and for L & L Hawaiian Mixplate starting in 2018, but we stopped offering franchises for these concepts in 2021. L & L Drive-Inn Restaurants are in the process of converting to the L & L Hawaiian Barbecue trademarks, and we are phasing out the use of the L & L Drive-Inn Restaurant trademarks. As of the date of this disclosure document, there are seven L & L Drive-Inn franchises in operation, three L & L Hawaiian Grill franchises in operation, and one L & L Hawaiian Mixplate franchise in operation.

A franchise offered or operating with the name of L & L Hawaiian Barbecue is referred in this document as a “L & L Franchise System Restaurant” or a “Restaurant.”

We, as franchisor, do not currently operate any L & L Drive-Inn, L & L Hawaiian Barbecue, L & L Hawaiian Grill, or L & L Hawaiian Mixplate restaurants. However, the founders of L & L Franchise, Inc., Kwock Yum "Johnson" Kam and Eddie Flores, Jr., their families, certain of our directors, and certain of our employees, have ownership interests in many of the individual L & L Drive-Inn, L & L Hawaiian Grill, L & L Hawaiian Barbecue, and L & L Hawaiian Mixplate franchisee entities or operations. In Item 19 and Item 20, data on Restaurants that are owned by individuals who are disclosed in Item 2 of this Disclosure Document is disclosed separately, and those Restaurants are categorized as “company-owned” Restaurants, as required under applicable franchise laws. Internally, we regard those Restaurants as franchised restaurants and our relationships with the franchise owners who are disclosed in Item 2 is substantially similar to our relationship with a typical franchisee. However, the two “company-owned” Restaurants in Honolulu are sometimes used as test locations for new menu items or other new ideas for the System, and as training locations.

We have no parents, predecessors or affiliates.

Agent for Service of Process

Our state agents are disclosed in Exhibit E.

The Business We Offer

L & L Franchise, Inc. presently offers franchises under the name L & L Hawaiian Barbecue. L & L Franchise, Inc. has offered franchises in this business since 1991.

L & L Franchise, Inc. grants franchises to operate quick-service Hawaiian-style restaurants. L & L Franchise, Inc. also has franchises operating in Japan, and has in the past and will continue to grant franchises in other countries and jurisdictions using L & L trade names and L & L marks that operate under our business system. The business system includes a distinctive exterior and interior design, equipment system, décor, color scheme, style and facilities, signs, certain standards, specifications, confidential recipes, procedures of operation, quality and consistency standards for products, and services offered. L & L Franchise, Inc. has not conducted business in any other line of business and has not previously offered franchises in other lines of business. L & L Franchise System Restaurant customers are the general public, and L & L products are likely to be sold primarily to persons seeking a fresh meal that can be eaten onsite or served at home.

The Franchise Agreement generally grants you the right to open and operate a L & L Franchise System Restaurant specializing in selling high quality, limited and specific food items using the name L & L Hawaiian Barbecue at a single location to be mutually agreed upon. No exclusive territory or protection is granted under the Franchise Agreement.

Restaurants operating under the L & L Drive-Inn, L & L Hawaiian Grill, and L & L Hawaiian Mixplate names and trademarks are also quick service restaurants and offer food products and services reflecting multiple cultures and cuisines, including food products and services that are similar to those offered and sold at L & L Hawaiian Barbecue Restaurants. One primary difference in the L & L Mixplate concept is that it also features a buffet. Otherwise, the Restaurants that operate under these names and trademarks are substantially similar.

Prior Experience

The first L & L Drive-Inn restaurant was opened in 1952 on Liliha Street in Honolulu (initially as a L & L Dairy) where the Honolulu Trolley ended its run and looped back into the heart of the downtown area. Eddie Flores initially purchased the L&L Drive-Inn business from the then operator, Yoshio Kitagawa, in 1976 as a gift to his mother and asked his friend, Johnson Kam to partner with his mother in the operation and management of L&L Drive-Inn. In 1977, Johnson Kam became the sole owner of the

business and steadily improved, developed and expanded the Hawaii local “plate lunch” culture of hearty, tasty and quick meals that incorporate favorite foods and tastes from the rich multiple cultures in Hawaii. Before long, Johnson was able to expand to four L&L Drive-Inn locations. Recognizing the potential for further expansion, Johnson Kam and Eddie Flores established L&L Franchise, Inc. in 1991, to franchise the L&L Drive-Inn and L&L Hawaiian Barbecue business thereby bringing together Johnson Kam’s operational experience and expertise and Eddie Flores’ real estate, business and marketing experience and expertise to the business. Over the years, Flores and Kam turned the business into a restaurant chain operation with multiple fixed locations.

Flores and Kam attribute their success to a decentralized system of ownership in which each restaurant is a separate legal entity and profit center, with separate ownership from L & L Franchise, Inc. Flores and Kam have recognized hard working and loyal employees by offering them the opportunity to own their own franchises.

In 1999, Flores and Kam formed a California corporation known as Puente Hills L&L, Inc. with Derryck and Elaine Tom to operate an L & L Hawaiian Barbecue restaurant at the Puente Hills Mall in the City of Industry, California. In 2000, a second L & L Hawaii Barbecue location was opened in Huntington Beach, California by Derryck and Elaine Tom under the entity name of Huntington Beach L & L, Inc. Thereafter, additional L & L Hawaiian Barbecue franchise restaurants have opened under the trade names or service marks of L & L Hawaiian Barbecue, L & L Hawaiian Grill and L & L Drive-Inn. The addresses, telephone numbers, and contact person(s) of each L & L franchisee is listed in Exhibit F to the Franchise Agreement.

General Market and Competition

The market for restaurant services is well-established but highly competitive. There are many single location, family-operated barbecue restaurants and numerous regional and national restaurant systems currently operating and/or offering franchises for barbecue style restaurants, which feature menu items similar to those offered by L & L Franchise System Restaurants. L & L Hawaiian Barbecue restaurants compete primarily against other Hawaiian style cuisine fast food concepts or take-out restaurants in shopping malls and strip malls selling multi-choice Hawaiian style cuisine meals consisting of meats marinated in various versions of teriyaki sauce. The general market for the food and products to be offered by a franchisee is the low cost, fast food, dine-in and takeout market interested in Hawaiian, Asian and ethnic food. Additionally, Restaurants will compete for the same dining dollars as other types of food service operations.

Applicable Regulations

The restaurant industry is heavily regulated. Many of the laws, rules and regulations that apply generally to business have particular applicability to restaurants. All L & L Franchise System Restaurants must comply with federal, state and local laws applicable to the operation and licensing of a restaurant business, including obtaining all

applicable health permits and/or inspections and approvals by municipal, county or state health departments that regulate food service operations. Your L & L Franchise System Restaurant must also meet applicable federal, state, county, or municipal regulations, statutes, ordinances, codes, and other laws. You should consider these laws and regulations when evaluating your purchase of a franchise.

Generally, other applicable laws and regulations include tax rules, labor laws, menu labeling laws, business license requirement, laws on construction of business premises, zoning rules, requirements for parking and access, the American with Disabilities Act, federal and state civil rights and anti-discrimination law export control laws pertaining to technology, and laws on storage, preparation, packaging, labeling and sales of food to the public.

Federal and state laws affecting businesses generally include smoking restrictions, public posting of notices regarding health hazards (e.g., tobacco smoke or other carcinogens), fire safety and emergency preparedness laws, use of certain food containers, rules on use, storage and disposal of waste, insecticides and other hazardous materials, environmental laws that may impact the operation of restaurants (e.g., laws on recycling and regulating the use of certain types of containers and materials potentially harmful to the environment), and standards regarding sanitation, employee health and safety. Some areas have or are considering proposals to regulate indoor air quality. Many places have laws against smoking inside restaurants.

A new trend is state and local laws requiring posting and disclosure of nutritional information at restaurants. The Health Care Reform Bills that became law in March 2010 contain provisions that require disclosure of nutrition and calorie information in chains of more than 20 restaurants.

The U.S. Food and Drug Administration, the U.S. Department of Agricultural and state and local health departments administer and enforce regulations that govern food preparation and service and restaurant sanitary conditions. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations.

The Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation. Some state and local governments have also adopted, or are considering, proposals that would regulate indoor air quality, including the limitation of smoking tobacco products in public places such as restaurants.

ITEM 2:
BUSINESS EXPERIENCE

Co-Founder, Chairman, and Director: Eddie Flores, Jr.

Eddie Flores, Jr. is our Co-Founder. He has served as Chairman of the Board since 1991 and has been a Director of the Franchisor since 2000.

Chief Executive Officer and Vice Chair: Elisia Flores

Elisia Flores has been a Director since December 2022, and our Chief Executive Officer and Vice Chair since July 2019. Previously, she held the positions of Vice President and Chief Financial Officer from June 2014 to July 2019.

Vice President of Franchising: Josie Akana

Josie Akana has been our Vice President of Franchising since November 2022. Previously, she held the positions of Director of Marketing from January 2001 to May 2005 and Director of Franchising from May 2005 to October 2022.

Vice President and Chief Operating Officer: Andy Huang

Andy Huang has served as our Vice President and Chief Operating Officer since January 2022. Previously he served as the Business Development Manager at Kowa American Corporation in Honolulu, Hawaii from June 2021 until December 2021, and the Area Manager of Advantage Rent-A-Car in Honolulu, Hawaii from October 2011 until October 2020.

Lou Chang

Lou Chang has been a Director since December 2022. He is also an attorney, mediator and arbitrator who has worked in his law firm, Lou Chang, A Law Corporation since 1975.

Director: Eva Kam

Eva Kam has served as a Director since December 2022. Eva has owned and operated the following L&L franchise locations in Washington, Nevada and Hawaii: Keeaumoku, Honolulu, Hawaii from 2004 until the present; Lakewood, Washington from 2006 until the present; Federal Way, Washington from 2006 until the present; Renton, Washington from 2006 until the present; Burien, Washington from 2019 until the present; Lacey, Washington from 2021 until the present; and Las Vegas, Nevada from 2006 until 2021. She has also owned a bookkeeping business called Next HB since 2018.

Director: Gloria Wong

Gloria Wong has served as a Director since December 2022. Gloria has owned and operated multiple L&L franchise locations in California since 2004.

ITEM 3:
LITIGATION

Prior Actions:

Forum: Dispute Prevention & Resolution

Filing Date: September 1, 2022

Case No.: 22-0496-A

Name of Action: L & L Franchise, Inc. vs. Xiao Biao Xie, Rainbow HB, LLC and Jones HB, LLC

Parties: L & L Franchise, Inc., Xiao Biao Xie, Rainbow HB, LLC, and Jones HB, LLC

Relationship: Franchisor vs. the owners, operators, and guarantor of several L & L System Restaurants

Summary: In September 2022, L & L Franchise, Inc. filed an arbitration demand against Xiao Biao Xie, Rainbow HB, LLC, and Jones HB, LLC, seeking the following: termination of the franchise agreements and enforcement of noncompetition agreements, agreements to return confidential information, and cessation of their rights to use L & L trademarks. The arbitration demand sought enforcement of the franchisees' breaches of the franchise agreements including claims of underpayment and failure to pay franchise and advertising fees, failure to provide sales reports and tax returns, breaches of confidentiality agreements, and submission of false reports. An arbitration award in favor of L & L Franchise, Inc. was issued in February 2023, which found that the franchisees filed fraudulent and intentionally false sales reports and that the franchisees breached their obligations to provide sales reports, tax returns and insurance certificates. The arbitration award awarded L & L Franchise, Inc. damages, interest, and other relief.

Forum: American Arbitration Association

Filing Date: September 3, 2022

Case No.: 01-22-0003-5253

Name of Action: L & L Franchise, Inc. vs. Xiao Biao Xie

Parties: L & L Franchise, Inc., Xiao Biao Xie

Relationship: Franchisor vs. the owner, operator, and guarantor of several L & L System Restaurants

Summary: In September 2022, L & L Franchise, Inc. filed an arbitration demand against Xiao Biao Xie. The arbitration demand sought termination of the franchise agreements, enforcement of the non-competition agreements and agreements to return confidential information, and cessation of the franchisees' rights to use L & L trademarks. The arbitration demand sought enforcement of the franchisees' breaches of the franchise

agreements, including claims of underpayment and failure to pay franchise and advertising fees, failure to provide sales reports and tax returns, breaches of confidentiality agreements, and submission of false reports. An arbitration award in favor of L & L Franchise, Inc. was issued in May 2023 which found that the franchisees made false under reporting of sales reports and made false payment of fees and that the franchisees materially breached their obligations under the franchise agreements. The arbitration award determined that L&L Franchise, Inc. was entitled to terminate the franchise agreements, ordered the termination of the franchisee's rights to use franchisor's trademarks and copy-righted works, and awarded L & L Franchise, Inc. damages, costs, and other relief.

CIVIL LAWSUIT

Forum: First Circuit Court of the State of Hawaii

Filing Date: September 30, 2015

Case No.: 15-1-1916-09

Name of Action: Frank H. Gaspardi vs Kwock Yum Kam, Christina Kam, Eddie Flores Jr., and L & L Franchise, Inc.

Parties: Frank H. Gaspardi, Kwock Yum Kam, Christina Kam, Eddie Flores Jr., Kwock Yum Tse Kam, Christina Choi Ha Tse Kam and L & L Franchise, Inc.

Relationship: Franchisee

Summary: In September 2015, Frank H. Gaspardi filed a civil action in the First Circuit Court of the State of Hawaii against Kwock Yum Kam, Christina Kam, Eddie Flores, Jr., and L&L Franchise, Inc. Frank H. Gaspardi obtained a judgment in California against Kwock Yum Kam with regard to a California L & L franchisee operation. Frank H. Gaspardi's action sought to effect collection on the judgment and asserts various claims that defendants have unfairly or improperly prevented his ability to effectuate payment of the judgment. The matter was settled and the action was dismissed in 2016.

AMERICAN WITH DISABILITIES ACT

Forum: Superior Court of California, County of Los Angeles

Filing Date: September 28, 2018

Case No.: EC069463

Name of Action: Perla Mageno v. L & L Franchise, Inc.

Parties: Perla Mageno and L & L Franchise, Inc.

Relationship: None

Summary: Alleging violations of California's Unruh Civil Rights Act, California Civil Code § 51. Defendant paid a nominal settlement amount. This action has been settled on January 3, 2019.

Litigation Against Franchisees During the Last Fiscal Year:

On November 13, 2023, L & L Franchise, Inc. filed an arbitration demand against Zhu Cai He ("Respondent"), the owner, operator and guarantor of three L & L System

Restaurants. The case was filed with American Arbitration Association as case number 01-23-0005-1465. The arbitration demand sought termination of the franchise agreements and enforcement of noncompetition agreements, agreements to return confidential information and cessation of the Respondents' rights to use L & L trademarks. The arbitration demand sought enforcement of the franchisees' breaches of the franchise agreements including claims of underpayment and failure to pay franchise and advertising fees, failure to provide sales reports and tax returns, and submission of false reports. This matter is currently pending.

Other than these referenced actions, no litigation is required to be disclosed in this disclosure document.

ITEM 4:
BANKRUPTCY

No bankruptcies are required to be disclosed in this disclosure document.

ITEM 5:
INITIAL FEES

For franchisees in the State of Hawaii, the initial franchise fee is always \$35,000.00 regardless of how many restaurants the franchisee opens. However, the initial franchise fee for existing franchisees opening between two (2) and up to five (5) restaurants outside the State of Hawaii is \$20,000.00 for each restaurant. In addition, the initial franchise fee for existing franchisees opening six (6) or more restaurants outside the State of Hawaii is \$15,000.00 for each restaurant.

The franchise fee is non-refundable and is due and fully earned by us upon the signing of the franchise agreement. If all or any portion of the initial franchise fee is not paid promptly, upon signing of the agreement, you will be required to pay interest at the rate of ten percent (10%) per annum or thereon at the highest rate authorized by the laws of the state of California.

On rare occasions, we may agree to modify the initial franchise fee under certain circumstances. Factors that may be considered in agreeing to modify the initial franchise fee can include but are not limited to the following: (1) as an inducement for existing franchisees to open additional Restaurants; (2) as an inducement for someone to take over an operating franchised restaurant; (3) as an inducement for a multi-unit franchisee to open several restaurants; (4) to allow a franchisee to have additional money to spend on store development, improvements and/or marketing during the first twelve (12) months of operation; or (5) where we consider the waiver or reduction, as the case may be, to be reasonably justified for business or legal reasons at our sole discretion. We will make the decision on the amount of any waiver or reduction on an individual basis depending on the condition of the premises, the need for upgrades and

remodeling, and the need for special incentives and/or other considerations. In 2023, the initial franchise fees paid ranged from \$10,000 to \$30,000.

**ITEM 6:
OTHER FEES**

| Type of Fee (see note 1) | Amount | Due Date | Remarks |
|-------------------------------------|--|---|---|
| A. Royalty Fee (see note 2) | 2% to 4% of Net Sales (based on your geographic location, see note), during initial 10 years of franchise term. In the event Operator is in default in the performance of any of the terms, conditions or obligations of Operator under the franchise agreement, Operator shall be responsible to pay Franchisor's costs and expenses incurred related to or arising out of Operator's default or a minimum additional administrative costs and expenses surcharge in the amount of twenty percent (20%) of the royalty fee or Franchisor's actual additional administrative costs and expenses, whichever is higher, until Operator's default is cured. | Payable by the 10 th of each month plus interest of ten percent (10%) per annum of the amount due if not paid by the 10 th of such month (or the amount permitted by applicable law). | The Royalty Fee may vary depending on the geographic area where a restaurant is located and the date of the franchise agreement. Currently, the amount of this fee for franchisees on the West Coast is 3%, for franchisees east of Texas is 4%, and for Hawaii franchisees is 2%. "Net Sales" means all revenues excluding and after deduction of sales or excise taxes (excluding price discounts and allowances) received by Operator as payment, whether in cash or for credit (and, if for credit, whether or not payment is received therefor), for all beverages, food, and other goods, services, and supplies sold in or from each of Operator's Restaurants, and |

| Type of Fee (see note 1) | Amount | Due Date | Remarks |
|---|--|--|---|
| | | | <p>gross revenues received by Operator from any other business operated at the Location (excluding revenues from any mechanical or other device, such as vending or game machines installed at the Location). Net sales shall be calculated prior to any deduction for expenses relating to the business. These royalty fees may vary depending on the geographic area where a restaurant is located and the date of their franchise agreement.</p> |
| <p>B. Advertising, marketing and promotion, and convention contributions (“Advertising Fee”) (see note 3)</p> | <p>The greater of the following: 1% to 2% of Net Sales (based on your geographic location in the continental United States, see note). Franchisees in Hawaii pay a flat fee of \$315 per month (subject to periodic increase).</p> | <p>Same as royalty fee plus interest of fifteen percent (10%) per annum of the amount due not paid by the 10th of such month.</p> | <p>Same as royalty fee. These advertising, marketing, promotion and convention contributions may vary depending on the geographic area where a restaurant is located and the date of the franchise agreement. Currently, the amount of this fee for franchisees on the West Coast is 1% and for franchisees east of Texas is 2%.</p> |

| Type of Fee (see note 1) | Amount | Due Date | Remarks |
|--|---|----------------------|---|
| C. Transfer (see note 4) | \$7,500.00 transfer fee and Franchisor's training expenses \$3,000 for a non-sale management transfer) \$1,000 for a transfer for the convenience of ownership | Before the transfer. | |
| D. Additional Training (see note 5) | See note 5. \$3,000.00 for non- sale management transfer. | See note 5. | Additional training may be available on request, subject to availability. |
| E. Audit (see note 6) | Cost of audit plus interest | On billing | Payable only if audit shows understatement of at least 2% of Net Sales. |
| F. Liquidated damages | \$10,000 per month and 8% of Net Sales | On demand | Payable only if you violate post- termination or post- transfer noncompete covenant |
| G. Insufficient Funds | At least \$50.00 | On demand | Pay our expenses as to non-payment, including bank fees, hourly staff charges as to this default, and any other related expenses incurred by us. |
| H. Insurance | The cost of the required insurance | On demand | If you fail to obtain and maintain the |

| Type of Fee (see note 1) | Amount | Due Date | Remarks |
|--|-----------------|-----------|---|
| | coverage | | required insurance, we may, at our option, in addition to any other rights we may have, procure such insurance without notice and you must pay the premiums and our costs in taking such action. |
| I. Administrative Non- Compliance Fee | \$1,000 | On demand | If you commit any breach of the Franchise Agreement, we may require that you pay us this fee to partially compensate us for the time and resources that we expend addressing this default. |
| J. Local Advertising Expenditure | 1% of Net Sales | Monthly | This amount must be spent by you on permitted local advertising. You must provide us with an accounting of your expenditures upon request. If you fail to expend such sums on Local Advertising, we may assess you for this deficiency or require you to spend the amount of such deficiency during the next succeeding calendar month. We may also require you to pay this amount to us. |

Note 1: Fees Generally. All fees are imposed by and payable to us. All fees are nonrefundable. Franchise operators who became Franchisee operators under earlier versions of franchise agreements were afforded a different initial and/or royalty fee. On rare occasions fees may be waived or reduced in the sole discretion of the Franchisor based on hardship and other extenuating circumstances (e.g., COVID-19).

Note 2: Royalty Fee. The Royalty Fee is currently two percent (2%) to four percent (4%) of Net Sales (based on your geographic location). The Royalty Fee may vary depending on the geographic area where a restaurant is located and the date of the franchise agreement. Currently, the amount of this fee for franchisees on the West Coast is three percent (3%), for franchisees east of Texas is four percent (4%), and for Hawaii franchisees is two percent (2%).

If any check or draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then you must pay our expenses as to non-payment, including bank fees in the amount of at least one hundred dollars (\$100), hourly staff charges as to this default, and any other related expenses incurred by us. You must pay any sales, use or other taxes on franchise fees and advertising fees imposed by federal, state, and/or local government authorities.

Note 3: Advertising, Marketing and Promotion Contributions. The Advertising Fee for franchisees in the continental United States is currently one percent (1%) of your Net Sales if your Restaurant is located on the West Coast or two percent (2%) of your Net Sales if your Restaurant is located east of Texas. Presently, L & L franchisees in Hawaii pay a flat monthly amount of \$315.00 (subject to periodic increase of up to \$10 per increase).

Advertising Fee payments are in addition to and exclusive of any sums that you may decide or be required, to spend on local marketing, and promotional efforts. We have control over the creative ideas, materials, endorsements, media, placement, and allocation of monies related to use of the Advertising Fee.

The Advertising Fee is used to maintain, administer, direct, prepare, research, develop and review international, national, internet, regional, and local marketing and advertising, and e-commerce materials and programs, related expenses (including salaries, accounting, collection, quality assurance, legal and other costs), and any media or agency costs and to cover our related overhead as we deem necessary. At least twenty percent (20%) of the Advertising Fee may be used by Franchisor to cover Franchisor's administrative expenses.

We are under no obligation to administer the Advertising Fee to ensure that expenditures are proportionate to contributions of our franchisees for any given market area or that any franchisee benefits directly or proportionately from the development or placement of advertising. We are not obligated to expend all or any part of the Advertising Fee during any specific time. We have control on how to spend the

Advertising Fees and have no fiduciary duty with regard to the Advertising and Development Fund. See item 11 for information on how advertising contributions are used.

Note 4: Transfer of Business. If you want to sell your L & L Franchise System Restaurant by asset sale or if you want to sell, assign, transfer, convey or give away any direct or indirect interest in the Franchise Agreement or in the franchisee corporation, partnership or limited liability company, you must first give us a right of first refusal at the same price offered by any bona fide buyer. There is a nonrefundable transfer fee of \$7,500.00 (which is reduced to \$3,000 for a non-sale, management transfer, and \$1,000 for a transfer for the convenience of ownership). Any new franchisee, stockholder or assignee is subject to our approval.

Before our approval, you must deliver all essential information, including, copies of franchise agreements, leases, subleases, default letters, operational reports and other material information, to the proposed transferee, receipt of which must be confirmed in writing. In connection with any sale, transfer, assignment or conveyance of interests in a franchise restaurant where management or control is changed, you must provide to any transferee or assignee training, consultation and assistance for a minimum period of six (6) weeks to facilitate the transition of ownership and control.

Note 5: Additional Training. You may also request, or we may recommend or require, additional training on an as-needed basis. If you request or we recommend additional training, it will be in Honolulu or another location we designate. We may require you to attend additional training when and where scheduled by us. We do not charge you fees for additional training, but you must pay for your travel and living expenses during training and any associated wages and compensation for your personnel being trained.

The cost will depend, among other things, on the distance you must travel and accommodations and the compensation, if any, you promise to your personnel. In the event there is a non-sale management transfer, there will be a fee payable to L & L to cover our training expenses. In the event that you have or accomplish a transfer of management responsibility to a person who has not undergone the Franchisor's training, we may require such person to undergo training by us for which you must pay us the training fee of three thousand dollars (\$3,000.00).

Note 6: Audit. We may audit your books, business records, sales reports, financial statements, and tax returns at any time. You must bear the cost of providing copies of your books, records and documents to us or our representatives. Except for the cost of providing copies, the audits will be conducted at our expense, unless it is determined that you have understated your sales by more than two percent (2%) of the Net Sales for any reported period or periods. If you underreport Net Sales by more than two percent (2%) you must pay us for unpaid Royalty Fee and Advertising Fee payments, including accrued interest at the rate of ten percent (10%) per annum or the highest interest rate otherwise permitted by state law. You must also reimburse us for audit

costs, including the charges of any independent accountant, as well as the travel expenses, room, board, and compensation of our employees incurred in connection with the audit.

**ITEM 7:
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

| Type of Expenditure | Estimated Amount | Method of Payment | When Due | Whether Refundable | To Whom Paid |
|---|-------------------------|--|-----------------|---------------------------|--------------------------|
| Initial Franchise Fee (See Note 1) | \$35,000 | Lump sum | On signing | No | Us |
| Construction Cost (See Note 2) | \$39,450 - \$450,000 | Lump sum or financed, as agreed | As arranged | No | Contractor, Suppliers |
| Furniture, Fixtures, Equipment, and Exterior (See Note 3) | \$62,250 - \$150,000 | Lump sum or financed, as agreed | As arranged | No | Suppliers |
| Inventory (See Note 4) | \$6,750 - \$12,000 | Lump sum or financed, as agreed Lump sum or financed, as agreed | As incurred | No | Suppliers |
| Rent Under Lease Arrangement (for 3 months) (see Note 5) | \$9,000 - \$60,000 | As agreed, typically monthly | As arranged | No | Generally landlord |
| Security Deposit for Lease | \$5,000 - \$15,000 | Lump sum or financed, as agreed | As arranged | As arranged | Generally Landlord |
| Branded Attire (See Note 6) | \$500 | Lump sum | As arranged | No | Supplier |
| Computer Equipment and Software (See Note 7) | \$3,000- \$5,000 | Lump sum or financed, as agreed | As arranged | No | Suppliers |

| Type of Expenditure | Estimated Amount | Method of Payment | When Due | Whether Refundable | To Whom Paid |
|---|------------------------------|---------------------------------|---|-----------------------|---|
| Insurance Costs and Deposits (for 3 Months) (including Workmen's Compensation) (See Note 8) | \$7,800 - \$27,360 | Lump sum | As incurred | No | Insurance company |
| Travel and Living Expenses During Training (See Note 9) | \$4,400 - \$9,000 per person | Lump sum or financed, as agreed | As incurred | No | Suppliers of food, lodging and transportation |
| Utility Deposits (See Note 10) | \$0 - \$3,000 | Lump sum or financed, as agreed | As incurred | Yes | Suppliers |
| Professional Fees (See Note 11) | \$0 - \$8,000 | As incurred | As arranged | No | Professionals |
| Grand Opening Advertising (See Note 12) | Currently, \$5,000 | As incurred | Within the 60 days before and up to 90 days after opening of the Restaurant | Advertising suppliers | Grand Opening Advertising |
| Other Opening Costs (See Note 13) | \$12,000 - \$24,000 | As incurred | As incurred | No | Suppliers |
| Additional funds (for 3 months) (See Note 14) | \$18,000 - \$36,000 | As incurred | As incurred | No | Suppliers, cost of operation |
| TOTAL ESTIMATED INITIAL INVESTMENT FOR L & L RESTAURANT (See Note 15) | \$1210,190 - \$839,860 | | | | |

Note 1: Initial Fee. See Item 5 for additional information on the Initial Fee. The Initial Fee is payable to us and nonrefundable.

Note 2: Construction Cost. To convert a leased premise into an L & L Franchise System Restaurant, you must renovate the approved premises according to our Operations Manual. You must pay for these construction and renovation costs directly

to a construction company that you hire. These costs may be greater if unusual renovation conditions exist.

Note 3: Furniture, Fixtures, Equipment, and Exterior. This estimate includes furniture, fixtures, food service equipment, signage and other décor items.

Note 4: Inventory. The initial inventory for each L & L Franchise System Restaurant includes meats, raw materials, dry goods, condiments, brand and non-branded products, grocery items, paper goods, and other miscellaneous items.

Note 5: Rent Under Lease Arrangement. A typical L & L Franchise System Restaurant arrange from 750 to 1,500 square feet store, but the store may vary from 500 to 2,500 square feet. Your rent for the store lease will vary depending on square footage, geographic location, type of store location (mall, food court or free-standing building) and various other factors. The terms of the lease shall be as arranged or negotiated by you and the landlord and may include an obligation to pay rent based on a percentage of Net Sales. In addition, the landlord may require you, or if you are a corporate or limited liability company franchise, your controlling stockholders or members, to personally guarantee the lease.

Note 6: Branded Attire. The initial expense is for the branded attire for you and your employees. If the type of branded attire you use is removed from the list of approved uniforms, you have 60 days from receipt of written notice of such removal to discontinue use of the existing branded attire and implement the approved type branded attire.

Note 7: Computer Equipment and Software. See Item 11.

Note 8: Insurance Costs and Deposits. We require you to maintain certain insurance coverages from time to time. The lease you enter into may also require that you provide certain insurance. Insurance premiums are paid to either your insurance broker or insurance company issuing the insurance policy.

Note 9: Travel and Living Expenses During Training. For your initial training, we provide a training location, instructors and instructional material, and you pay for transportation, lodging and food for yourself, trainee, and/or your manager and any associated wages and compensation of the persons being trained. The cost will depend on the distance you must travel and the type of accommodations you choose.

Note 10: Utility Deposits. We estimate that you will need to provide deposits for utilities. The amounts of these deposits will vary depending on the policy of the utility companies, and whether any utility impact or hook-up fees are required.

Note 11: Professional Fees. You will need to hire an attorney, an accountant and other consultants to assist you in establishing your business. You should employ an attorney to protect yourself as well as an accountant and other consultants to advise you. You

will pay your own legal and other expenses in connection with the review and negotiation of your lease.

Note 12: Grand Opening Advertising Program. If required by us, you must conduct a “Grand Opening Advertising Program” for the Restaurant during the period from 60 days prior to opening the Restaurant and up to ninety 90 days after opening. You must obtain our prior written approval as provided in the Franchise Agreement before implementing any advertising plans and/or making any use or placement of advertising and promotional materials as part of the Grand Opening Advertising Program. The Grand Opening Advertising Program may not be sufficient in all cases to develop adequate exposure to the services offered by the Restaurant, and that it may be necessary for you to supplement the Grand Opening Advertising Program with additional advertising and promotional expenditures and efforts.

Note 13: Other Opening Costs. You will also have other miscellaneous expenses involved in establishing a business. These expenses vary greatly, and we have estimated a minimum of twelve thousand dollars (\$12,000.00) and up to twenty four thousand dollars (\$24,000). They may include deposits, sales tax bonds (where required), recruiting expenses, and supply expenses. You must pay all taxes required by local, state or federal laws related to the services furnished or used in connection with the operation of L & L Franchise System Restaurant.

Note 14: Additional Funds. We also recommend that you have direct access to a minimum of eighteen thousand dollars (\$18,000.00) for working capital during the first three (3) months of operation. You will need capital to support on-going expenses such as payroll and utilities to the extent that these costs are not covered by sales revenue. New businesses often generate negative cash flow. The amount estimated should be sufficient to cover on-going expenses during the start-up phase of the business, which we assume to be 3 months. This is only an estimate however, and there is no assurance that additional working capital will not be necessary during or after this start-up phase. This item does not include any salary or reimbursement of personal expenses paid to you.

Note 15: These figures represent our estimates based upon our experience and the experience of our franchisees. Any fees paid to us are not refundable except as otherwise specifically noted herein. Amounts paid to any third parties may be refundable, depending upon the contracts between them and you.

We do not finance any of these initial expenses. The availability and terms of financing will depend on various factors including the availability of financing generally, your credit worthiness, security available to you, lending institution policies concerning the type of business to be operated by you, and other comparable elements.

ITEM 8:
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

It is essential that the L & L products and to the preservation and promotion of our reputation and acceptance by the public that uniform standards of quality, taste, and food appearance are maintained; that uniform types of food are offered; and that cartons and other paper goods displaying our commercial symbols are of uniform size, quality, texture, absorbency, strength, finish and appearance. Therefore, you will at all times dispense, serve, sell or offer for sale to the public only articles, foods and other products that meet the specifications and standards that we periodically designate in writing. You are required to obtain all food products from us or our affiliates or sources we approve and according to our specifications.

We will lend to you a copy of the L & L Operations Manual (“Operations Manual”). Periodically, we may reasonably amend the Operations Manual, including changes that may affect minimum requirements for your franchise operations. You will strictly follow the requirements of the Operations Manual, including amendments we make to it periodically. You will carry out immediately all changes at your cost, unless we otherwise specify, and we do not limit or cap these expenses in any way. We may designate your business format and sales and distribution guidelines, as specified periodically in the Operations Manual. The Operations Manual is confidential and our exclusive property.

The Operations Manual may contain lists of approved sources, suppliers, recipes, menu requirements specification, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, artwork, distribution techniques, advertising layouts, product specifications, operation requirements, public relations guidelines and other rules that we may prescribe. As of the issuance date of this disclosure document, neither we nor an affiliate is an approved supplier of any required items.

With advance written notice, you may request our approval to obtain products, equipment, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established periodically. These specifications and standards will relate to quality, taste, durability, value, cleanliness, texture, composition, strength, finish and appearance, and the supplier’s capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation, as well as volume commitments we may have entered into with specific suppliers. We may require that samples from any supplier be delivered to a designated independent laboratory for testing before approval and use. You will reimburse us for the actual cost of the tests. We may license any supplier that can meet our requirements and standards, for a reasonable license fee. Our confidential

specifications, recipes, requirements, designs, system and formulas will be revealed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy, competent, and reputable; has the capacity to consistently follow our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We will notify you in writing of the approval or disapproval of any supplier you propose. We will complete our product review and approval process within sixty (60) to ninety (90) days after we receive all required information about the product or supplier being considered.

We or our agents may inspect any proposed or approved manufacturer's, contractor's supplier's or distributor's facilities and products. If we find from any inspection that a manufacturer, contractor, supplier or distributor fails to meet our standards, we may disapprove the manufacturer, contractor supplier or distributor.

There are no suppliers in which one of our officers owns a material interest. Except as provided below, neither we nor our affiliates currently sell or lease any inventory, materials or supplier to our franchisees

We may require you to participate in a restaurant value card, gift card or gift certificate program, apply with the applicable government entity to accept electronic benefit transfer cards or food stamps and to accept credit and debit cards.

We may negotiate purchase arrangements with approved suppliers for the benefit of our franchisees. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of approved suppliers or purchases of particular products or services.

You may be required to purchase other goods (such as lettuce, tomatoes), supplies (such as cleaning products), inventory and services (such as Internet services), and all point of sale (POS) computer hardware and software, only if they meet our specifications. At times, vendors, suppliers, manufacturers and distributors pay or offer rebates, incentives and payments (sometimes called by other terms such as flex fund, marketing fund, etc.) relating to sales of goods, supplies, inventory services, computer hardware and software to the several or many L & L Franchise System Restaurant in a geographical or territorial market. The rebates, incentives and payments are based upon formulas and policies which can change but often they are based on a percentage paid based upon volume or quantity of purchases. All rebates, incentives and payments, however denominated, shall accrue and be payable for the benefit of us and shall not be shared or distributed to you.

L & L Franchise, Inc. is an approved supplier and franchisees may purchase from L & L Franchise, Inc. advertising, promotional and logo items such as hats, t-shirts, branded attire, pictures, surfboards, tip jars, posters and similar items.

Equipment, Fixtures and Signs

You must purchase and install, at your expense, all equipment (including Clover point-of-sale (“POS”) recording systems supported by FISERV and computer software) fixtures, furnishings, decor, and signs from approved suppliers. You must not install or permit to be installed at your L & L Franchise System Restaurant, without our written consent, any equipment, fixtures, furnishings, decor, signs or other items not previously approved by Franchisor in writing as meeting our specifications. You may purchase these items from approved suppliers or from any other supplier that can provide items previously approved as meeting our specifications. In some situations, certain comparable brands of equipment may be acceptable, subject to our written approval. Article 22, Section 22.2 of the Franchise Agreement provides for a forty-five (45) day time period for approvals.

From time to time, your Restaurant may need a cosmetic improvement or equipment change or addition in order to comply with the Operations Manual and/or to maintain proper operations and an aesthetic or refreshed appearance and professional image. Accordingly, Franchisor may require remodeling and renovation, and modifications to existing equipment and improvements as is reasonably necessary. Franchisor shall not require any such work at a particular Restaurant less than three (3) years after the opening of the Restaurant except: (1) for additional equipment if new food preparation methods or products are developed and authorized by Franchisor; (2) if repairs or repainting are necessary to maintain the appearance of the interior and exterior of the Location in a clean and orderly condition satisfactory to Franchisor; or (3) upon the sale of the Operator’s Restaurant. Within ninety (90) days after receipt of written notice, Operator shall fully implement and complete such changes to its Restaurant operating under this Agreement.

Goods, Supplies, Inventory and Services, and Computer Hardware and Software

We negotiate purchase arrangements with distributors and manufacturers, including price terms, for the benefit of franchisees and the entire L & L Franchise System. You must purchase food products, goods, and certain supplies (such as printed paper goods), inventory and services (including the Clover POS system software supported by FISERV) and non-cash payment suppliers for your L & L Franchise System Restaurant only from our approved suppliers (See Exhibit “G”). Procedures for approval of other suppliers and manufacturers are described in the franchise agreement. (See section 8.2.2 and 8.3.2 of the Franchise Agreement). Under those provisions, the proposed distributor or manufacturer must pay to Franchisor all of the reasonable costs related to Franchisor’s review and inspection costs. You must purchase other goods (such as lettuce, tomatoes), supplies (such as cleaning products), inventory and services (such as Internet services), and all computer hardware and software, only if they meet our specifications. Some vendors, suppliers, manufacturers and distributors pay or offer rebates, incentives and payments (sometimes called by other terms such as flex fund, marketing fund, etc.) relating to sales of goods, supplies, inventory services, computer

hardware and software to the several or many L & L Franchise System Restaurants in a geographical or territorial market. All rebates, incentives and payments, however denominated, shall accrue and be payable for the benefit of us and shall not be shared or distributed to you.

These rebates, incentives and payments are based upon formulas and policies which can change but often they are based on a percentage paid based upon volume or quantity of purchases. In 2023, L & L Franchise, Inc. received approximately \$29,500 from Yamasa; \$28,400 from Southwind; \$3,000 from Love's Bakery; \$5,000 from J.R. Simplot; \$4,500 from Cherry Co.; \$8,500 from Hosoda Brothers; \$0 from Palama Holdings, LLC; \$39,500 from Fiserv; \$492,600 from Pepsi Cola; \$24,000 from Cargill; and \$8,000 from US Foods, totaling approximately \$643,000. All such payments go directly to L & L Franchise, Inc. and are retained by us for our use at our sole option. For the fiscal year ending 12/31/2023, such rebates, incentives and payments constituted approximately 7.8% of L & L Franchise, Inc.'s total revenue of \$8,256,247.

Upgrades, Refurbishments, and Renovations

If we require any changes or modifications to your premises, fixtures, furnishings or equipment, because of disrepair or inadequate maintenance you must do so at your sole expense, within the time that we reasonably require. You must comply with all applicable government mandates.

Required and Approved Suppliers

The maintenance of uniformity of taste, quality and consistency is important to the Franchisor and Franchisees. For that reason, certain items of supplies, raw materials and food products must be purchased from approved distributors. The following items must be purchased from approved distributors we designate and are not subject to alternate distributors.

- (1) All branded products that bear the L & L service mark or trademark. You must purchase, display and sell all branded products we authorize for sale.
- (2) We have entered into an agreement with Pepsi Cola Company to be the only approved fountain service beverage supplier to the L & L Franchise System Restaurant. You must use Pepsi Cola fountain service products we authorize and no other beverages unless we approve them in writing. You must also purchase branded cups bearing the L & L logo only through L & L's approved cup distributor and no other unless we approve such other distributor in writing. L & L reserves the right to change approved distributors from time to time.
- (3) If we establish regional or national purchasing programs for any raw material which may benefit you by food consistency and uniformity, reduced price, lower labor costs, production of improved authorized products, increased reliability in

supply, improved distribution, raw material cost control, improved operations or other tangible means, you must participate in the programs. Presently, you must use the following: Pepsi Cola bottled and fountain service products, Keoki's (lau lau), J.R. Simplot (French fries), Best Foods/Hellmann's (mayonnaise), Hormel (canned or processed meat products), Unilever's Caldo de Pollo (chicken broth), Cargill Foods (ready-made hamburger patties), McCormick (spices, extracts, food colors), Sun Noodle (ramen style noodles and soup base), Pasta Montana (elbow macaroni), Yamasa (soy sauce), Hawaiian Sun (Hawaiian juice drinks), Farmer's Rice Cooperative (rice), LK Plastics (L & L t-shirt logo bags), Graphic Packaging (L & L logo cups), Southwind Foods (breaded shrimp), Upper Crust Enterprises (breading), Loyalty Plant (mobile services), FISERV (merchant services and Clover Point of Sales System), Frymaster (fryer kitchen equipment), and Wolf (flat griddle kitchen equipment). L & L reserves the right to change such approved distributors from time to time.

L & L Franchise, Inc. estimates that supplies, raw materials and products required to be purchased from approved suppliers comprise approximately 25% of all supplies, raw materials and products purchased by a Franchisee in establishing and operating the Restaurant.

A Franchisee's use of designated or approved suppliers is a condition of the franchise agreement which benefits all franchisees and the Franchisor through the maintenance of standardized product quality and customer satisfaction.

L & L Franchise, Inc. does not own any material interest in any supplier. The Franchisor nor its affiliates do not derive any revenue or other material consideration from the required purchase or leases. Except for the rebates, incentives and payments discussed above.

Approval of Alternative Suppliers

We only approve authorized distributors who demonstrate to our continuing reasonable satisfaction of the followings: (1) ability to meet our then-current specifications; (2) who possesses adequate quality controls and capacity to supply your and all other L & L franchisees' needs promptly and reliably; (3) who demonstrate the ability and willingness to work with us to provide the assistance needed by the franchisees in the region of distribution; (4) who agree to distribute all authorized L & L products; and (5) who comply with our reasonable requirements.

If you want to purchase any items from an unapproved distributor, you must first submit a written request for approval to us. Please send your request to L & L Franchise, Inc. 2138 Algaroba Street, Honolulu, Hawaii 96826 accompanied by a similar written request for approval from the proposed distributor. We have no written approval criteria. We reserve the right at our option and at the sole expense of the distributor paid in advance to inspect, evaluate and test the facilities, equipment, and raw materials of any

distributor, at any time, and to revoke our approval if the distributor fails to continue to meet any of our criteria. We are not required to approve any distributor.

Appearance

From time to time, Operator's Restaurant may need a cosmetic improvement or equipment change or addition in order to comply with the Operations Manual and/or to maintain proper operations and an aesthetic or refreshed appearance and professional image. Accordingly, Franchisor may require remodeling and renovation, and modifications to existing equipment and improvements as is reasonably necessary. Franchisor shall not require any such work at a particular Restaurant less than three (3) years after the opening of the Restaurant except: (1) for additional equipment if new food preparation methods or products are developed and authorized by Franchisor; (2) if repairs or repainting are necessary to maintain the appearance of the interior and exterior of the Location in a clean and orderly condition satisfactory to Franchisor; or (3) upon the sale of the Operator's Restaurant. Within ninety (90) days after receipt of written notice, Operator shall fully implement and complete such changes to its Restaurant operating under the Franchise Agreement.

Insurance

We require you to maintain certain insurance coverages from time to time, which currently includes the following:

- insurance on your inventory, fixtures, furniture, equipment, improvements, betterments, and wares in an amount equal to not less than the full replacement cost thereof with coverage against the perils of fire and standard extended coverage, including malicious mischief and burglary;
- commercial general liability and property damage insurance, including personal injury liability, contractual liability, products and completed operations, public liability, employer's liability, and tenant's liability, with coverage of not less than \$2,000,000 for any one occurrence and such greater amount as we may specify; plus excess liability umbrella coverage for the general liability coverages in an amount of not less than \$3,000,000 per occurrence and in the aggregate;
- business interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent restaurant owners, or attributable to prevention of access to the premises, with coverage for a period of interruption of 180 days and such longer period as may be specified by us;
- tenant's liability insurance;

- such other insurance as required by law, including Workers' Compensation Insurance in such amounts as prescribed by statute; and
- data privacy/cyber liability insurance, including first party coverage (forensics investigation, notification, credit monitoring, loss of business income, crisis management) and third party coverage, with coverage limits of no less than \$250,000 per occurrence and aggregate.

You must also obtain such other insurance coverage as reasonably required by us or your landlord.

Architect

One architect that we recommend is Gary Wang & Associates, Inc., 1000 Corporate Center Drive, Suite 550, Monterey Park, California 91754. You are not required to work with Mr. Wang. If you would like to work with Mr. Wang, please contact him directly at (626) 288-6898. We do not receive any consideration from Mr. Wang for recommending him to you.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

| Obligation | Section of Franchise Agreement | Item in Disclosure Document |
|---|---------------------------------|-----------------------------|
| Site selection and acquisition/lease | Articles 1, 2 | Item 11 |
| Pre-opening purchases/leases | Articles 1, 2, 4, 5, 8, 17 | Items 7, 8, 11 |
| Site development and other pre-opening requirements | Articles 1, 2, 3, 4 | Items 6, 7, 8, 16 |
| Initial and ongoing training | Articles 3, 14 | Items 6, 7, 11 |
| Opening | Articles 2, 5 | Items 7, 11 |
| Fees | Articles 1, 3, 6, 9, 14, 15, 23 | Items 5, 6, 11 |

| Obligation | Section of Franchise Agreement | Item in Disclosure Document |
|---|---------------------------------------|------------------------------------|
| Compliance with standards and policies/Operation Manual | Articles 3, 4, 5, 8, 9, 13, 19 | Items 8, 14 |
| Trademarks and proprietary information | Articles 2, 7 | Item 14 |
| Restrictions on products/services offered | Articles 5, 8 | Items 8, 16 |
| Warranty and customer service requirements | Articles 3, 4, 5 | Item 16 |
| Territorial development and sales quotas | None | Item 12 |
| Ongoing product/service purchases | Article 8 | Items 8, 16 |
| Maintenance, appearance and remodeling requirements | Articles 4, 5 | Item 7 |
| Insurance | Article 17 | Item 7 |
| Advertising | Articles 6, 11 | Items 7, 11 |
| Indemnification | Articles 14, 17 | None |
| Owner's participation, management, and staffing | Articles 10, 11 | Items 14, 15 |
| Records and reports | Articles 9, 12, 19 | None |
| Inspections and audits | Articles 5, 9 | Item 6 |
| Transfers | Article 14 | Item 6, Note 4 |
| Renewal | Article 15 | Items 6, 17 |
| Post-termination obligations | Articles 4, 10, 11, 15, 16 | Items 14, 17 |

| Obligation | Section of Franchise Agreement | Item in Disclosure Document |
|---|--------------------------------|-----------------------------|
| Non-competition covenants | Article 10 | Item 17 |
| Dispute resolution | Articles 15, 21 | Item 17 |
| Other: Guaranty of franchisee obligations | Exhibit H | |

Note: The lease(s) entered into by and between you as lessee and the lessor(s) will create additional obligations for you.

If you are a business entity, each person who owns or later acquires twenty percent (20%) or more of your equity or voting interests must sign our Personal Guaranty (Exhibit H) agreeing to jointly and severally personally guaranty the entity's obligations to us under all contracts with us. Owners with twenty percent (20%) interest or more who have a spouse must execute the Personal Guaranty.

**ITEM 10:
FINANCING**

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

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

Except as disclosed below, L & L Franchise, Inc. is not required to provide you with any assistance.

Pre-Opening Assistance

Before you open for business:

1. You must locate the proposed location for your L & L Franchise System Restaurant. We will approve the proposed location if the proposed location meets our standards. (See Article 1, Page 7-8 of the franchise agreement). (Section 22.2, sets forth a forty-five (45) day time period for approvals from us).
2. We will lend you one copy of our operations manual that contains mandatory and suggested specifications, standards and procedures. This manual is confidential and remains our property. The current table of contents is attached to this FDD as Exhibit L. It currently contains 95 pages.

3. We will provide standard decor and design standards in the Operations Manual or by separate document to you to modify and conform to our approved location by your architect or contractor. You must pay the cost of the construction and remodeling. We may, at our option, provide, at no charge, our prototypical conceptual schematic designs and other specifications for the construction and/or build-out, improvement of the site, and for the layout of fixtures, furnishings, equipment, and signs. The Restaurant must conform to our requirements including, but not limited to, with regard to the design, wallpaper, layout, signage, trade dress, color schemes, and presentation of the Marks. (See Article 2 of the Franchise Agreement.)
4. We may in our sole discretion periodically revise the Operations Manual or the Standard Décor and design standards, as needed, to incorporate new developments and changes applicable to your L & L Franchise System Restaurant and will provide you a copy of or electronic access to such revisions.
5. We will train you and your manager. We do not charge for the training, but you must pay for transportation, accommodation, and food costs for you and/or your manager and any associated wages and compensation for the persons being trained. Training occurs in Honolulu or location designated by us. (See Article 3 of the Franchise Agreement.)
6. We are not obligated to provide any other supervision, assistance or service before the opening of your L & L Franchise System Restaurant. (See Article 18 of the Franchise Agreement.)
7. You have twelve (12) months from the effective date of the Franchise Agreement to secure a location and sign a lease, both of which must be approved by us, and to open the L & L Franchise System Restaurant for business. If you do not secure an approved location, sign a lease, and open your Restaurant for business within twelve (12) months of the effective date of your Franchise Agreement, we can terminate the Franchise Agreement, and keep all fees. In extenuating circumstances, we may grant a limited extension at our sole discretion.

Post-Opening Assistance

During the operation of the L & L Franchise System Restaurant, we will provide the following assistance and service to you.

1. We will reasonably advise you at no additional cost on operational or financial problems you encounter after you send us a notice in certified mail. At our sole discretion, this assistance will occur in Honolulu, Hawaii or in another location we designate and at times we determine. This does not mean that we will act as

anything but a business consultant and advisor to you after the opening of your L & L Franchise System Restaurant.

2. We will administer the advertising, marketing, promotion and convention programs. We will aggregate advertising contributions at times until sufficient revenues are accumulated to begin or complete advertising or marketing, promotion and convention programs. We will consider the advice and suggestions from advertising and marketing staff or outside marketing and/or advertising agencies but, ultimately, the use and expenditure of advertising funds are subject to our sole discretion. (See Article 6 of the Franchise Agreement.)
3. We are not obligated by the franchise agreement or any other agreement to provide any other supervision, assistance or service for the ongoing operation or your L & L Franchise System Restaurant. However, we may provide other voluntary services that may be modified, supplemented or discontinued at our sole discretion. The provision of voluntary services or support will not amend your franchise agreement or our obligations. Any modifications of, amendments of or change in your franchise agreement must be reflected in a written document executed by you and our authorized officers. No verbal agreement or course of conduct will be considered to be an amendment or modification of the franchise agreement whether by common case, statutory or any other theory of law or practice. Any obligation imposed on us by the franchise agreement may, as we specify in writing, be performed by any of our designees, employees or other authorized entities.

Advertising

No design, advertisement, sign or form of publicity, including form, color, number, location and size, may be used by you unless the proposed advertisement has first been submitted to us and approved in writing by us (except prices). You must send your written request for approval to Marketing Department, and we will respond within thirty (30) days of receipt of your request. You may use advertising we have supplied or promotional items we have approved, without obtaining further approval for use. On written notice from us, you must discontinue and/or remove any objectionable advertising materials.

Advertising Fee

The Franchise Agreement requires each franchisee to pay either a portion of their net sales or a flat fee for an advertising, marketing and promotion contribution, which we refer to as the Advertising Fee. Franchisees in different states, regions or countries pay different amounts or rates toward an advertising, marketing and promotion contribution. Net Sales means all revenue from operations of the restaurant regardless of the source of revenue, except taxes, allowance and discounts. Net sales shall be calculated prior to any deduction for expenses relating to the business.

As provided in Item 6, you must pay a portion of your net sales to us as advertising, marketing and promotion contributions, which funds will be expended by us in our discretion and deposited into a separate advertising account we control (with other advertising collections). Currently, the amount of this fee for franchisees on the West Coast is 1% and for franchisees east of Texas it is 2%. Presently, L & L franchisees in Hawaii pay a flat monthly amount of \$315.00 (subject to periodic increase).

We may authorize expenditure for the cost or purchase of media time or space, producing media materials (whether they be for radio, television, newspapers, social media, or store-level materials like flyers, posters, etc.) and paying for administrative, advertising, planning, marketing, promotion of or by our own advertising personnel, and/or for third party agencies or consultants and for our use to organize and conduct periodic meetings or conventions on a regional or system-wide basis (including the payment, in whole or in part of transportation and/or lodging costs of the Franchisor's staff and representatives and Franchisee representatives).

Advertising, promotion or marketing may be on television, radio, Internet, social media, newspaper, magazines, direct mail, flyers, posters, brochures, coupons or similar media. The coverage of the media may be local, regional or national. We may prepare advertisements, marketing and promotional material and publicity in-house or may use regional or national advertising agencies to prepare the materials.

We are not obligated to contribute any amount to any national or local advertising funds or programs. There shall be no requirements that we must spend any amount of advertising, in any particular area or territory where your purchase is located. We may use the Advertising Fee to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs, including point-of-purchase programs, as we deem proper. We are under no obligation to administer the Advertising Fee to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We will not be obligated to expend all or any part of the Advertising Fees we receive during any specific period. We control how to spend the Advertising Fee, and have no fiduciary duty with regard to the Advertising Fund. The use and expenditure of the advertising contribution shall be at our sole discretion. If any part of the advertising contribution is not spent in the fiscal year in which advertising contribution accrues, we may utilize the advertising contribution in any other fiscal year in our sole discretion. You will not receive any periodic accounting of how advertising contributions are spent.

We will prepare unaudited annual statements showing how advertising contributions have been expended. These statements will be given to you on written request.

At our sole discretion, the advertising, marketing and promotion contributions may be used toward expenses of planning and conducting periodic L & L conferences and/or meetings of the Franchisor and groups or all of the Franchisee. We reserve the right to

add tag lines to advertising or marketing indicating that franchises are available and giving contact information. We are not required to spend any amount of the advertising contributions on advertising or promotions in your area. Other than reimbursement for reasonable costs and overhead incurred in administering and expending the advertising contributions, neither we nor any affiliate will receive any payment for providing services or products related to these activities. If any contributions, including any associated interest earnings, are not spent in the fiscal year in which they accrue, they will be kept for use in later years.

We may provide other supervisions, assistance, or services, although the Franchise Agreement or other related agreements do not bind us to do so. These may include advertising materials, literature, additional assistance in training, secret shopper programs, promotional materials, bulletins on new food products, merchandise, and new sales and marketing developments, techniques, frequency of purchase programs, point-of-purchase materials, gift cards or certificates and loyal customer programs.

Twenty percent or more of the marketing/advertising fund comprised exclusively of marketing paid by franchisees may be used for administrative expenses to defray Franchisor's expenses relating to staff dedicated to marketing and for materials and supplies (e.g., office expenses). The remaining portion of the marketing and advertising fund is to be spent on production, consulting fees, and the actual cost of advertising. No part of the advertising contributions is to be used for advertising that is principally a solicitation for the sale of franchises.

In 2023, the Advertising Fund was used for the following: production (27%), advertising and digital marketing (53%), and administration (20%).

Local Advertising

At your expense and exclusive of any sums paid to us, you must conduct on a monthly basis continuing local advertising in the form, content and media approved by us in an amount equal to not less 1% of Net sales ("Local Advertising"). All Local Advertising must be in such media and of such types and format as we may approve; must be conducted in a dignified manner; and must conform to such standards and requirements as we may specify. Upon request, you shall submit evidence of any such expenditures to us in the manner and form set forth in the Manuals or otherwise in writing. In the event that you shall fail to expend such sums on Local Advertising, we may, immediately upon notice provided to you, assess you for this deficiency or require you to spend the amount of such deficiency during the next succeeding calendar month, in addition to spending at least 1% of the Net Sales of the Restaurant during such calendar month on Local Advertising, or we, at our option, may require you to pay this amount to us. We may either spend it on your behalf, or contribute such amount to the Advertising Fund, at our sole option.

You must follow the procedures provided in the Manuals with respect to all advertising and promotional requirements, and may not use any advertising or promotional plans that we have not approved in writing. You must also market, advertise and promote the Restaurant to the maximum reasonable extent, consistent with good and professional business practices, and the local advertising expenditures herein specified shall be only one component thereof. We have the right to periodically designate in the Manuals the types of expenditures that will or will not count toward the minimum annual Local Advertising spending requirement. If you advertise jointly with other franchisees, your share of the cost will count toward your Local Advertising spending requirement under. Local Advertising expenditures do not include the Grand Opening Advertising Program.

You will use the advertising materials that we provide or approve. You may not embark upon advertising in any media without our written approval of the media. We may choose to direct or control use of social media sites and other forms of electronic communication.

Grand Opening Advertising

You must conduct a Grand Opening Advertising Program during the five-month period beginning two months (60 days) before the Opening Date and ending three months (90 days) after the Restaurant's opening date, spending an amount not less than \$5,000. You must obtain our prior written approval before implementing any advertising plans and/or making any use or placement of advertising and promotional materials as part of the Grand Opening Advertising Program. The Grand Opening Advertising Program may not be sufficient in all cases to develop adequate exposure to the services offered by your Franchised Business, and it may be necessary for you to supplement the Grand Opening Advertising Program with additional advertising and promotional expenditures and efforts. This requirement is in addition to the Local Advertising expenditures you must make. (Franchise Agreement, Section 6.6)

Pricing

You are responsible for establishing all menu prices in your sole discretion. However, subject to compliance with applicable federal and state laws, we may set minimum or maximum prices.

Selection of Location

If, at the time the franchise agreement is signed, you have not located, and we have not approved, a site for your L & L Franchise System Restaurant, you must locate a suitable site, subject to our approval. You must submit to us, in the form we specify, a completed site review form, and any other information or materials we reasonably require. We have thirty (30) days, or any longer time that is required after we receive the information and materials from you to approve or disapprove the site for your L & L Franchise System Restaurant. We will approve or disapprove the site after an analysis

of the site, taking into consideration the proposed rental, population mixture, geographic area, including vehicular traffic, business and industry, climate and applicable business hours, and any other facet of particular location that would affect the possibilities of success or failure. You must make the final decision on acceptance or rejection of any site, and this acceptance or rejection is your business risk.

The franchise agreement will remain in effect until you locate an acceptable site for your L & L Franchise System Restaurant. The franchise agreement will, however, remain valid and may be transferred with our prior written consent to another location owned by you. In the event that you have not commenced operations of a L & L Franchise System Restaurant at a site acceptable to you and approved by us within twelve (12) months from the time the Franchise Agreement is signed, any and all of your rights to open and operate a L & L Franchise System Restaurant shall expire, unless you obtain our approval due to extenuating circumstances. In the event an extension of the twelve (12) month period is not obtained, the Franchisor may retain part or all of the initial thirty-five thousand dollars (\$35,000.00) franchise fee in its sole discretion. All of the Franchisor's rights under the Franchise Agreement, and Confidential Information Agreement, and Guarantys including but not limited to Article 4 (Confidential Manuals), Article 10 (Covenant regarding other business interests) and Article 11 (Interference with Employment Relations) shall remain binding upon you and all guarantors.

Opening the Franchise Business

We estimate that a typical length of time between the signing the franchise agreement and the opening of a L & L Franchise System Restaurant will be four (4) to twelve (12) months. The procurement of an approved site cannot be estimated, as the time period can vary due to your financial condition, your real estate needs, and the availability of suitable sites in the desired market. Once a site is approved, you will need to negotiate and obtain a lease, obtain architectural and other building plans and procure necessary licenses from local governmental authorities. This projected time may change due to various reasons, including but not limited to zoning and local ordinances, contractor performance, architect or engineering issues, weather conditions, shortages, or delayed installation of equipment, fixtures or signs.

If you do not secure an approved location, sign a lease, and open your Restaurant for business within twelve (12) months of the effective date of your Franchise Agreement, we can terminate the Franchise Agreement, and keep all fees. You may not open your L & L Franchise System Restaurant until: (1) we approve the site; (2) we approve the restaurant as developed according to our specifications and design; (3) pre-opening training has been completed to our satisfaction; (4) the initial franchise fee and all other amounts then due to us have been paid; and (5) you have provided to us copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we request. You must give us ten (10) days written notice prior to commencing operations. Your royalty fee and advertising payments will begin when your L & L Franchise System Restaurant opens.

Our Training Programs

Before opening of your L & L Franchise System Restaurant, you or your manager must attend and complete to our satisfaction, our initial training program for franchisees. Training must be completed at least one (1) month before opening. You must pay for your employees' wages, compensation, travel and living expenses during the training program but will not be charged any tuition for the training program. We will attempt to schedule the training so as not to inconvenience you. However, the availability of the training instructors and the schedule of the L & L training program will control. The initial training program is currently scheduled as needed.

Our Franchisor manager in charge of training is Andy Huang. He oversees all aspects of the daily operations of the franchise including development, franchise retention, human resources, purchasing, compliance, and training. He started working for L & L Franchise Inc. in January 2022. He has more than 20 years of hospitality and restaurant experience with over 15 years in senior operation management roles

The initial training program may involve up to four (4) weeks of classroom instruction and on-the-job training at our corporate office in Honolulu, Hawaii and a L & L Franchise System Restaurant in Honolulu, Hawaii or in another area we designate. At our sole discretion, we may waive or shorten the initial training requirement if you successfully complete a skills and competency test. Typically, the initial training program is also mandatory if there is an ownership change of twenty percent (20%) or more of the ownership interest in your L & L Franchise System Restaurant. You may request or we may recommend or require, additional training. If you request or we recommend additional training, it will be in Honolulu or in another location we designate, when scheduled by us. We may require you to attend additional training if, when and where scheduled by us. We do not charge you fees for additional training, but you must pay for your and your employees' travel and living expenses during training. The cost will depend on the distance you must travel and the accommodations you choose.

TRAINING PROGRAM

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|--|-----------------------------|------------------------------|---|
| Introduction and Orientation to the L & L System | Approx. 6 hrs. | None | Home office: 2138 Algaroba Street, Honolulu, Hawaii 96826 |
| Pre-Opening and Opening | Approx. 1 hrs. | None | Home office |

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|---------------------------------------|------------------------------------|-------------------------------------|--|
| Food Preparation / Kitchen Operations | Approx. 3 hrs. | Approx. 120 hrs. | Home office and various L & L franchise operations |
| Staff Guidelines | Approx. 1 hr. | None | Home office |
| Operations/Financials/Supply Chain | Approx. 2 hrs. | None | Home office |
| Marketing | Approx. 5 hrs. | | Home office |
| Restaurant Visits | None | Approx. 5 hrs. | Visit to various Restaurants around Hawaii |

Financial Sales Reports, Operational and Statistical Information Need to be Provided by Franchisees to the Franchisor.

Franchisees need to maintain cash collection and data processing systems. Franchisor requires Franchisee to buy or use only pre-approved brands and/or types of cash collection and data processing system or equipment or software. Franchisees will purchase and use point of sale cash collection and data processing systems (POS system) and specified software authorized by Franchisor. Franchisor has the right to independently access the POS system and the data and information that it collects. Franchisee authorizes and will allow Franchisor to access and collect such information. (See Articles 9 and 19 of the franchise agreement).

Point of Sale System and Mobile Software Application (“App”)

Franchisees are required to buy and use an electronic or computer-based point of sale (POS) system (the Clover point-of-sale system supported by FISERV) that is approved by L & L Franchise, Inc. L & L Franchise, Inc. shall be entitled to have independent and/or concurrent access to all data electronically collected by the POS system. In addition, Franchisees are required to purchase and participate in L & L’s mobile App program through which Franchisees can interact with customers through ordering/payment and offer promotions.

You are required to install and use a computer system and a single-purposed POS and back office system supplied by one or more vendors approved by us. You must lease, purchase or otherwise acquire, at your expense, from our approved vendors, hardware, software and services with the appropriate configurations as determined by us based on projected volume and other factors. You must purchase and utilize an internet firewall provided by a managed security partner approved by us. Each server and terminal must have the most current version of anti-virus software that is approved by us and the

subscription must be kept current. You must have a business-class high speed Internet connection (digital subscriber line (DSL) or cable) from an approved vendor installed to operate the POS system and allow for updates and third-party remote support. You must have credit card, gift card and electronic benefit transfer card accounts from an approved vendor, set up at our direction on your behalf to operate via the POS system. You must contract for and purchase Payment Card Industry Data Security Standards Compliance (PCI-DSS) and Managed Firewall Service from a vendor we designate. We or our agents may enter your business or enter through a remote connection, manually or via automated polling, and have access to computer system to collect, store, utilize, and disseminate the data and all information captured by the computer system or POS system, along with any reports and records, to examine or audit your business, at any reasonable time without notice. We are the sole owner of all information collected through the POS system and your use of such information is solely pursuant to a license as granted pursuant to the Franchise Agreement.

In addition to the POS system, you must purchase and maintain a personal computer with high-speed internet and an active e-mail address, but you may purchase any brand of hardware capable of running the software applications you will need to prepare operating and financial reports, communicate through e-mail, receive, send and store documents and perform other back-office business functions. On request, you must maintain on-line communications between your computer system and our computer systems, and permit us independent access to, and retrieval of, data from your computer systems at all times. Nothing limits our right to access or use the data we retrieve.

The estimated cost to purchase the computer systems is currently \$2,000 to \$3,000. We may modify our specifications for computer systems at any time and will notify you of these developments by written bulletin or supplements to the Operations Manual. Depending on changes in software specifications, you may have to upgrade your computer hardware. There are no contract limitations on the frequency or cost of upgrades or changes in the computer systems we may impose. See Item 6 regarding estimated annual software licensing fees for any proprietary software that we may introduce. Neither we, affiliate, nor any third designee has any obligation to you to provide ongoing maintenance, repairs, upgrades, or updates.

Computer systems are vulnerable in varying degrees to hardware and software failures, configuration-related problems, computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We have taken reasonable steps to ensure that E-Problems will not materially affect our business. We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-Problems. This may

include taking reasonable steps to insure and secure your systems (including firewalls, password protection, and anti-virus systems) and to provide backup systems.

Advertising Council

There is no advertising council composed of franchisees that exists to advise the franchisor on advertising policies. There is a franchisee association, however, which is disclosed in Item 20.

ITEM 12: **TERRITORY**

You are not granted any territory under the Franchise Agreement. Hence, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution, or competitive brands that we control.

There are no minimum sales volume or market penetration contingencies. We may open and operate company units and franchise to other franchisees the L & L business or engage in any other method of distribution, in our complete discretion including in close proximity to your L & L Franchise System Restaurant. The Franchisor and/or franchisees may or can use alternate channels of marketing and distribution such as internet, catalogues, newspaper, mail order, telemarketing or telecommunications and may solicit or accept orders from consumers located at or near your approved restaurant location without any compensation to you. You may also use such other channels of marketing and distribution to solicit or accept orders from consumers located near other franchisees.




The franchise agreement grants you the right to operate your L & L Franchise System Restaurant only at the approved location. You must locate a site for your L & L Franchise System Restaurant, subject to our approval as provided in item 11. You may relocate the L & L Franchise System Restaurant only with our written approval. (Section 22.2 of the Franchise Agreement provides for a forty-five (45) day approval period). Our approval for relocation will be based on a variety of factors, including the viability of the then-current location and demographics, including number of households, household income, vehicular and the number and locations of L & L Franchise System Restaurants in or near the proposed new location. Unless otherwise mutually agreed in writing by L & L Franchise you do not have any options, rights of first refusal or similar rights to acquire additional franchises from Franchisor.

We reserve the following rights, without any compensation to you except as specifically agreed between us in writing: (1) we may establish company owned or franchised operations, including retail operated stores using our methods of operation, trade names or trademarks that will compete with you, at any location we select; (2) we may sell any products or services anywhere, whether or not using the Marks, through various

channels of distribution, including internet, wholesale, mail order, multi-area marketing programs, and retail or government/military channels. The internet is a channel of distribution reserved exclusively to us, and you may not independently market on the internet or conduct e-commerce; (3) we may purchase or be purchased by or merge or combine with, competing businesses wherever located; (4) we may offer franchises in the future, and have done so in the past, on terms we deem appropriate, including terms that differ from the Franchise Agreement.

In the past, we have offered franchises under the trade names L & L Drive-Inn, L & L Hawaiian Grill and L & L Hawaiian Mixplate. We offered franchises for L& L Drive-Inn starting in 1991, for L & L Hawaiian Grill starting in 2006, and for L & L Hawaiian Mixplate starting in 2018, but we stopped offering franchises for these concepts in 2021.

INFORMATION CONTINUED ON NEXT PAGE



| Concept | Trademark | Number of Company-Owned Locations in Operation | Number of Franchised Locations in Operation |
|-------------------------|---|--|---|
| L & L Drive-Inn | L & L Drive Inn Registration No.: 2,485,226 Registration Date: 9/4/2001 | 0 | 0 |
| L & L Hawaiian Grill | L & L Hawaiian Grill Registration No.: 3,163,719 Registration Date: 10/24/2006 | 0 | 3 |
| L & L Hawaiian Mixplate | MIXPLATE Registration No.: 5,520,733 Registration Date: 7/17/2018  Registration No.: 5,509,922 Registration Date: 7/3/2018  Registration No.: 5,608,240 Registration Date: 11/3/2018  Registration No.: 6,067,404 Registration Date: 6/2/2020 | 0 | 1 |




In the future, we may open restaurants under these or other marks that are similar to your Restaurant, which may be in close proximity to your Restaurant. Because we do not grant you any territorial exclusivity under the Franchise Agreement, we do not

expect that there will be territorial disputes. We operate these other concepts from our principal business address, which is 2138 Algoroba Street, Honolulu, Hawaii 96826.

**ITEM 13:
TRADEMARKS**

L & L Franchise, Inc. is the owner and has filed the required affidavits for the following federally registered trademarks, service marks, trade names, symbols (collectively, the “Franchisor’s Marks” or “Marks”). Except as otherwise noted, all trademarks are listed on the Principal Register of the U.S. Patent and Trademark Office.

| Service Mark | Registration No. | Registration Date |
|--|------------------|-------------------|
| HAWAIIAN BARBECUE No claim is made to the exclusive right to use “Barbecue” apart from the mark as shown. | 3,359,528 | 12/25/2007 |
| L & L | 2,485,225 | 9/4/2001 |
| L & L HAWAIIAN BARBECUE No claim is made to the exclusive right to use “Hawaiian Barbecue” apart from the mark as shown. | 2,490,665 | 9/18/2001 |
|  No claim is made to the exclusive right to use “Barbecue and Since 1976 in Hawaii” apart from the mark as shown | 3,041,811 | 1/10/2006 |
|  No claim is made to the exclusive right to use “barbecue” apart from the mark as shown. | 3,467,839 | 7/15/2008 |

| Service Mark | Registration No. | Registration Date |
|--|------------------|-------------------|
|  <p>No claim is made to the exclusive right to use "Barbecue and Since 1976" apart from the mark as shown</p> | 5,235,028 | 7/4/2017 |
|  | 5,608,240 | 11/13/18 |
|  | 3,223,152 | 3/27/2007 |
| <p>THE 1ST HAWAIIAN BARBECUE No claim is made to the exclusive right to use "barbecue" apart from the mark as shown.</p> | 3,715,629 | 11/24/2009 |
| <p>THE ORIGINAL HAWAIIAN BARBECUE</p> | 3,784,326 | 5/4/2010 |
| <p>HAWAI'I IS A BITE AWAY</p> | 6,052,950 | 5/1/2020 |
| <p>HAWAII's COMFORT FOOD</p> | 6,109,709 | 7/21/20 |
| <p>L & L HAWAI'I</p> | 7,180,426 | 10/3/2023 |
| <p>L & L HAWAIIAN BARBECUE & Surfboard Design</p> | 7,187,105 | 10/10/2023 |

The Franchise Agreement grants you the right to use certain of the Franchisor's Marks only in the manner authorized by the Franchisor and only for the operation of the restaurant authorized by the Franchise Agreement.

You may only use those trademarks/service marks and other trademarks/service mark filings and application made by us as may be authorized and approved by our written approval. We intend to file renewal applications, when appropriate, for our registered

trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the trademarks/service marks that are material to the franchise.

You must promptly notify us of any suspected use of the trademarks or service marks, any challenge to the validity of the trademarks or service marks, any challenge to the ownership of our right to use and to license others to use, or your right to use the trademarks or service marks. We have the sole right to control any administrative proceeding or litigation involving the trademarks or service marks, including any settlement. We have the right, but not the obligation to take action against third parties' uses that may be an infringement of the trademarks or service marks. We are not obligated by franchise agreement or otherwise, to protect your rights to use the trademarks, service marks, etc. or to protect you against claims of infringement or unfair competition of the trademarks.

We do not have a federal registration for three of our principal trademarks. Therefore, these trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use one of these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Except for the following case, there have not been any determinations made by the US Patent & Trademark Office, the trademark administrator of this state, or any court, nor is there any pending interference, opposition, or cancellation proceeding, or pending material litigation involving the trademarks/service marks that are relevant to their use in this state or in any other state.

In August 2006, Newco Hawaiian Barbecue Franchise, Inc., a California corporation, filed an opposition proceeding with the Trademark Trial and Appeal Board, a tribunal within the U.S. Patent and Trademark Office, seeking to prevent L & L Franchise, Inc. from obtaining a federal registration for the word mark HAWAIIAN BARBECUE for restaurant services. That proceeding was designated Opposition No. 91174103. The Newco oppositions were settled with Newco giving up all their "Hawaiian Barbecue" applications.

In May 2008, L & L Franchise, Inc. filed an opposition proceeding with the Trademark Trial and Appeal Board, a tribunal within the U.S. Patent and Trademark Office, seeking to prevent Golden Pyramid, Inc., a California corporation, from obtaining a federal service mark registration for the mark AHU'S HAWAIIAN BBQ and Design. Golden Pyramid, Inc. answered and counterclaimed against L & L Franchise, Inc. seeking to cancel three of L & L's Hawaiian Barbecue trademark registrations. The parties reached an agreement for the resolution of the dispute and in May 2010 the action was dismissed with prejudice. None of L & L Franchise, Inc.'s trademark registrations were cancelled as a result of the action. The action was not based upon, and does not involve, a franchise or franchise relationship.

You must follow our rules when you use any of our trademarks or service marks. You cannot use any of our trademarks or service marks as part of a corporate or entity name or with modifying words, designs, or symbols except as may be expressly authorized in writing.

The service mark and trademarks may only be used in the operation of a L & L Franchise System Restaurant selling L & L Franchise System Restaurant authorized products. Each L & L Franchise System Restaurant franchisee may sell only those products authorized in the franchise agreement and operations manual, or as we otherwise approve in writing. Upon termination or expiration of the Franchise Agreement, your right to use our trademark ends. Thereafter, you must not identify yourself, or any business entity that you are associated with, as a former L & L franchisee or use any of our confidential information or trade secrets.

You must not establish a website or permit any other party to establish a website that relates in any manner to the Restaurant or refers to the Marks, except as we may designate or approve in writing. We have the right, but not the obligation, to provide one or more references to or webpage(s) for the Restaurant, as we may periodically designate, within our website. (The term “website” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including but not limited to the internet, World Wide Web, social networking sites (including but not limited to Facebook, Twitter, LinkedIn, Instagram etc.), blogs, vlogs, and other applications, etc.). If we ever do approve in writing a request for you to use a separate website (although we is not required to permit you to do so), then we have the right to require that you comply with the standards, specifications, conditions, and requirements relating to such websites that we may periodically prescribe in the Operations Manual or otherwise in writing. We may from time to time establish policies regarding social media as we determine appropriate for the business system. Any use of social media using the Marks is considered advertising, and you must comply with our social media and advertising policies, including approval requirements. We may modify these policies as we determine appropriate, including as available technologies and advertising methods change.

No agreements limit our right to use or license the use of any of our trademarks or service marks.

You must notify or discontinue the use of a trademark if we modify or discontinue it, and you must pay for the cost of compliance with any modification or discontinuation.

We do not know of any superior prior rights to use or infringing uses of the L & L Franchise System Restaurant trademarks that would materially affect your use of the trademarks in this state.

We claim common law rights to the Marks and any other marks used by us in the United States and our domain names and trade dress.

The Marks are our sole and exclusive property. You must follow our rules, which are in the Franchise Agreement and the Operations Manual, when you use these Marks. You must notify us immediately of any claim, demand or suit involving your use of the Marks, and of any unauthorized or improper use or infringement of our rights related to the Marks. We will decide to take action or not take action, as we deem appropriate. You may not use the Marks in any manner that we have not authorized in writing. You may not use or give others permission to use the Marks, or any colorable imitation of them, combined with any other words or phrases. You may not sublicense the Marks. You may not use our Marks as part of your business name or on the internet. You may not market or have a site on the internet, except at our Website, unless you obtain approval in writing from L & L Franchise.

All goodwill associated with the Mark, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit.

We retain the right to change or modify any part of the Marks periodically. You will accept, use, and protect, for the purposes of your franchise, all changes and modification as if they were a part of the Marks at the time the Franchise Agreement is executed. You will bear all costs and expenses that may be reasonably necessary because of these changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to these changes or modifications.

ITEM 14: **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

L & L Franchise, Inc. does not own any patents. The Operations Manual is described in Item 11. Although we have not filed an application for copyright registration for the Operations Manual, we claim copyright and the information is proprietary. Item 11 describes limitations on the use of this Operations Manual by you and your employees. You and your employees must use all reasonable efforts to maintain this Operations Manual as confidential. The Operations Manual is our sole property and must be kept in a secure location in your place of business. You must also promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate.

You must operate your L & L Franchise System Restaurant under the standards, methods, policies, and procedures stated in the Operations Manual. We will lend you one (1) copy of the manual for the term of the franchise agreement, when you or your manager complete our initial training program to our satisfaction.

You must treat the Operations Manual and all other manuals created for or approved for use in the operation of your L & L Franchise System Restaurant, as confidential, and must use all reasonable efforts to maintain this information as confidential. You must not copy, duplicate, record or otherwise make them available to any unauthorized

person. The manual remains our sole property and must be kept in a secure location in your place of business.

We may revise the contents of the Operation Manual and you must comply with each new or changed standard. You must ensure that the manual is kept current at all times. If there is any dispute as to the contents of the manual, the terms of the master copies we maintain at our home office(s) will be controlling. The manual may be provided to you on USB drive and you must print hard copies if you do not intend to use a computer to read the manual.

You must not, during or after the term of the franchise agreement, communicate, divulge, or use for the benefit of any other person, partnership, association or corporation any confidential information, knowledge, or know-how on the methods of operation of L & L Franchise System Restaurants. You may divulge this confidential information only to those of your employees who must have access to it to operate your L & L Franchise System Restaurant. All information, knowledge, know-how, techniques, and other data that we designate as confidential will be confidential for purposes of the franchise agreement. Your and your owners' spouses, children, and siblings are bound by these same confidentiality obligations that you agree to under the Franchise Agreement.

At our request, you must require your officers, manager and any other personnel having access to any of our confidential information to sign covenants that they will maintain the confidentiality of information they receive for their employment with you. The covenants must be in a form we approve, including our identification as a third-party beneficiary of the covenants with the independent right to enforce them.

You must notify us promptly in writing of any and all ideas, inventions, discoveries and improvements, including without limitation, recipes, methods and procedures (for the purposes of this paragraph, "Improvements"), whether patentable or not, which are made, discovered, or conceived either solely by you or jointly with others, based on his/her/their knowledge or information obtained from us, in connection with the Restaurant whenever or wherever such Improvements were conceived, and you must assign all right, title and interest to them to us. You must assign to us all interest in any patents, patent applications or other intellectual property rights relating to such Improvements and will assist us in obtaining, maintaining, and prosecuting such patents, patent applications and intellectual property rights. You must assign to us all such Improvements (including, but not limited to all patent rights, copyrights, and rights of authorship therein), free and clear of any liens, claims or encumbrances. You must take all steps both during and after the term of the Franchise Agreement that may be necessary in order to effectuate the assignment to us or to enforce any patents, copyrights or any proprietary rights relating to the Improvements and you will execute all documents necessary to give to us full legal ownership to such Improvements. You must irrevocably designate and appoint us and our duly authorized officers and as your duly authorized officer and agent and attorney in fact to act for and on your behalf and stead, to execute and file any application, assignment or other document and to do all

other lawfully permitted acts to further the assignment, prosecution and/or issuance of a patent, copyright, mask work and/or trademark with respect to the Improvements and/or other works created by you with the same legal force and effect as if executed and filed by you.

There are no currently effective determinations of the United States Copyright Office, the copyright administrator of this state or any court, nor is there any pending interference, opposition or cancellation proceeding, nor any pending material litigation involving our copyrighted material that is relevant to their use in this state or in any other state. There are no decided infringement, cancellation or opposition proceedings in which we unsuccessfully fought to prevent registration of someone else's copyright in order to protect our copyrighted materials.

There are no agreements currently in effect that significantly limit our right to use or license the use of our copyrighted materials in any manner material to the franchise.

We do not know of any superior prior rights to use or infringing uses of our copyrighted materials that would materially affect your use of our copyrights in your state.

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

If you are a sole proprietor, we do not require that you personally supervise the L & L Franchise System Restaurant; however, if you are a sole proprietor, controlling stockholder of a corporation, managing principal of a limited liability company, or managing partner of a partnership, we recommend that you be the fully-trained operator. We do not have the right to approve your manager; however, the L & L Franchise System Restaurant must be directly supervised by a manager who has successfully completed our training program. If you employ an on-premises manager/supervisor for your operations, such person(s) need not have any equity interest in the franchisee entity but must have undergone the training approved and required by L & L Franchise, Inc. You, the manager(s), and others with access to confidential information must sign a written agreement to maintain confidentiality of the confidential information and other trade secrets obtained in the course of employment and enter into an agreement not to compete while working with or at an L & L Franchise System Restaurant and for 24 months thereafter. (See Appendices A and B of the Franchise Agreement). Your and your owners' spouses, children, and siblings are bound by these same confidentiality obligations that you agree to under the Franchise Agreement.

See the Franchise Agreement and Item 17 for a description of these obligations. You must sign the franchise agreement for the approved location of your L & L Franchise System Restaurant, personally or through a partnership, limited liability company, or corporation that you principally own. All owners with a 10% or greater direct or indirect

ownership interest in you, along with their spouses, must sign a personal guarantee in the form attached to the Franchise Agreement as Appendix C

ITEM 16:
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the approved location only for the operation of a L & L Franchise System Restaurant. You must keep the L & L Franchise System Restaurant open and in normal operation and refrain from using the location for any other purpose or activity at any time without first obtaining our written consent, and must operate your L & L Franchise System Restaurant in strict conformity with the methods, standards, and specifications that we require in the operations manual or otherwise in writing. You must not deviate from these standards, specifications, and procedures without our prior consent.

You must participate in marketing, gift card, gift certificate, discounted pricing and/or menu item promotions on an area, regional, statewide or systemwide basis if and as required by Franchisor.

You must sell or offer to sell only those services and products that we have approved for sale in writing. You must sell or offer for sale all types of services and products we specify and must refrain from any deviations from standards from our operations manual. We have the rights to discontinue selling and offering for sale any authorized services or products. There are no limits on our right to make changes.

You are required to meet and maintain the highest health standards and ratings applicable to the operation of your L & L Franchise System Restaurant. You must operate your L & L Franchise System Restaurant in strict conformity with all applicable federal, state and local laws, ordinances and regulations. These laws, ordinances and regulations vary from jurisdiction to jurisdiction. You are responsible for knowing of the existence and requirements of all laws, ordinances and regulations applicable to your L & L Franchise System Restaurant, and for adhering to them.

You are not restricted in the customers whom you may solicit.

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

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

THE FRANCHISE RELATIONSHIP

| Provision | Section in Franchise or Related Agreements | Summary |
|---|---|---|
| A. Term of the franchise | Franchise Agreement, Article 15.1.1 | Ten (10) years |
| B. Renewal or extension of the term | Franchise Agreement, Article 15.1.2 to 15.1.4 | If you are in good standing, you can renew for one successive period of 10 years at the terms and conditions being offered at the time of renewal, which may materially differ from the version contained in this disclosure document. |
| C. Requirements for you to renew or extend | Franchise Agreement, Article 15.1.2 to 15.1.4 | You must give franchisor written notice of your intent to renew the franchise not less than six (6) months nor more than thirteen (13) months prior to the end of the Franchise Agreement initial term. You must have complied with your obligations under Franchise Agreement and all other agreements between you and us during term; be current with all financial obligations to us and third parties, including your landlord and vendors of products or services; and sign our then-current form of Franchise Agreement, and other documents we require including but not limited to personal guarantees and confidentiality agreements. You must pay a \$1,000.00 processing fee and a renewal fee of up to ten thousand (\$10,000.00) dollars no later than six (6) months prior to the end of the Franchise Agreement initial term. All documents may contain terms and conditions materially different from original documents you signed. You must sign a general release (if state franchise law allows), pay renewal fee, complete restaurant upgrade and remodel to our then-current image and equipment standards and specifications by deadline set forth by Franchisor. You must successfully complete franchisee training that may be required by Franchisor at Franchisee's expense. |

| Provision | Section in Franchise or Related Agreements | Summary |
|---|---|---|
| | | |
| D. Termination by you | None | None |
| E. Termination by us without cause | None | None |
| F. Termination by us with cause | Franchise Agreement, Article 15.2.1 to 15.2.8 | We can terminate if you are in breach or default of your obligations to perform under the Franchise Agreement. |
| G. “Cause” defined-curable defaults | Franchise Agreement, Article 15.2 to 15.3 | Breach of franchise agreement that may include failure to pay fees or submit reports when due; failure to maintain standards or use the designated POS system; failure to obtain any consent required under the Franchise Agreement; default under the lease; failure to obtain insurance; failure to use approved mayonnaise, sauces, spices, recipes, ingredients, raw materials, product and portion control formulas in the preparation of authorized products; failure to satisfactorily complete training; and failure to make and serve menu items as required. |
| H. “Cause” defined-defaults that cannot be cured | Franchise Agreement, Article 15.2.1 to 15.2.8 | Non-curable defaults: you engage in conduct that reflects materially and unfavorably on the operation and reputation of the Marks, network, or business system; you sell unauthorized products after receiving notice; criminal grounds; you disclose our Manuals, trade secrets, or confidential information; repeated defaults; abandonment of the Restaurant; misuse of the Marks; use of a confusingly similar name or trademark; bankruptcy grounds; material misrepresentation relating to the acquisition or operation of the Restaurant, or fraud; failure to comply with applicable laws; false books, records, or reports; imminent danger to public health or safety, seizure or foreclosure of the business or premises by a creditor, lienholder, or lessor; failure to pay fees when due after receiving notice; failure to submit reports for 3 months; failure to submit a tax return when due; |

| Provision | Section in Franchise or Related Agreements | Summary |
|--|---|--|
| | | <p>unauthorized transfer; refusal to permit/hindrance of an investigation or audit; underreporting.</p> <p>The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).</p> |
| <p>I. Your obligations on termination/nonrenewal</p> | <p>Franchise Agreement, Article 16.1 to 16.10</p> | <p>Obligations include complete de-identification and payment of amounts due, assignment of all telephone numbers and associated listings for your restaurant, and assignment of the lease.</p> <p>If you fail to comply with the post-term obligations and fully de-identify the Restaurant, we may undertake these actions on your behalf and you must reimburse us for all amounts we incur in doing so.</p> <p>If you operate the Restaurant under a lease with a third party or, with respect to any lease for equipment used in the operation of the Restaurant then you must, at our option, assign to us any interest that you have in any lease for the location of the Restaurant or any equipment related thereto. We may exercise this option at or within 60 days after either termination or (subject to any existing right to renew) expiration of the Franchise Agreement.</p> |
| <p>J. Assignment of agreement by us</p> | <p>Franchise Agreement, Article 14.1.1</p> | <p>We have the right to merge with or be acquired by any person or entity and to transfer or assign the franchise agreement to any person or entity.</p> |
| <p>K. "Transfer" by you-defined</p> | <p>Franchise Agreement, Article 14.1.2</p> | <p>Transfers must be approved by us in writing and a transfer fee of \$7,500.00 must be paid to Franchisor (or, \$3,000 for a management, non-sale transfer, or \$1,000 for a transfer for the convenience of ownership). This includes transfer of any interest of more than twenty percent (20%) in your business. Subject to Franchisor's right of first refusal. The following conditions will apply in the event of a transfer:</p> |

| Provision | Section in Franchise or Related Agreements | Summary |
|--|--|--|
| | | (i) the transferee must qualify as a franchisee and assume your obligations; (ii) you must prove you have paid all your debts; (iii) you cannot be in default of your Franchise Agreement; (iv) the transferee must successfully complete the mandatory training and pay the Transfer Fee; (v) the transferee must sign a new Franchise Agreement on our then current terms; (vi) you must release us, and you must submit to us satisfactory evidence of the consent of lenders, lessors, and governmental authorities of permits and licenses. All transfers are subject to franchisor's consent and conditions. |
| L. Our approval of transfer by you | Franchise Agreement, Article 14.2.6 | We have the right to approve or disapprove transfers and impose additional terms and conditions. |
| M. Conditions for our approval of transfer | Franchise Agreement, Article 14.1.3 and 14.2.2 | You must sign an estoppel agreement, offer us right of first refusal, be in full compliance with franchise agreement, and provide a general release. The transferee must satisfy all qualifications, and subject to franchisor's approval, assume and execute the franchise agreement, and pay an administrative transfer fee. |
| N. Our right to first refusal to acquire business | Franchise Agreement, Article 14.1.3 | If you seek to sell, transfer, or give away an interest in the business or franchise agreement, Franchisor has a right of first refusal, at Franchisor's sole election and discretion, to purchase such interest at the same terms and conditions of the proposed sale, transfer or gift or at a price based upon a formula of 40% of the average of your annual net sales for 3 full calendar years. |

| Provision | Section in Franchise or Related Agreements | Summary |
|--|--|--|
| O. Our option to purchase your business | Franchise Agreement, Article 14.1.3 | Franchisor has an option to purchase based upon a stated formula and the right of first refusal upon sale, transfer, conveyance or gift of interest in business and franchise agreement. |
| P. Your death or disability | Franchise Agreement, Article 14.2.9 | Your rights may pass to your heirs or legatees if they assume your obligations and attend training. On your disability, you may sell the business or keep it if operated by trained personnel. |
| Q. Non-competition covenants during the term of the franchise | Franchise Agreement, Article 10.2.2 and exhibits | <p>You are prohibited from owning or operating business that sells similar products. You may not disclose or use any secret or confidential information.</p> <p>A competing business includes (1) engaging in the production or sale at retail of any food product called or designated as "Hawaiian" food and/or barbecued meat and/or chicken katsu and/or breaded cutlet of chicken or meat and/or spam musubi and/or chicken musubi, kalua style or smoke flavored meat, lau lau and/or plate lunches with scoop(s) of rice and/or macaroni salad, and/or (2) having any employment or interest in any firm engaged in the production or sale at retail or wholesale of any such products.</p> |

| Provision | Section in Franchise or Related Agreements | Summary |
|--|--|--|
| <p>R. Non-competition covenants after the franchise is terminated or expires</p> | <p>Franchise Agreement, Article 10.2.2 and exhibits</p> | <p>The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.</p> <p>After your franchise is terminated or expires for any reason, you may not engage in any competing business or have any employment or interest in any competing business for 24 months within five (5) miles of any existing L&L Franchise System Restaurant. You may not disclose or use any secret or confidential information. Liquidated damages apply of \$10,000 per month plus 8% net sales for violation.</p> <p>Regardless of whether the covenants contained in the Franchise Agreement are found to be enforceable or not, any operation by you of a competing business shall be deemed by any court, arbitrator, or other fact finder to be dispositive evidence that you have used our confidential information in violation of the Franchise Agreement.</p> |
| <p>S. Modification of the agreement</p> | <p>Franchise Agreement, Article 4.2.4, 23.1 and 23.5</p> | <p>Your franchise agreement may not be modified without your and our consent, except:</p> <ol style="list-style-type: none"> 1. We may change the contents of Operations Manual; 2. We may modify the System; and 3. A court may modify any provision of the franchise agreement under applicable law. |
| <p>T. Integration/merger clause</p> | <p>Franchise Agreement, Article 23.2</p> | <p>Only the terms of franchise agreement and associated exhibits and documents attached hereto are binding, subject to state law. Any promises outside the Disclosure Document and Franchise Agreement may not be enforceable.</p> <p>Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits, and amendments.</p> |

| Provision | Section in Franchise or Related Agreements | Summary |
|--|--|--|
| U. Dispute resolution by arbitration or mediation | Franchise Agreement, Article 21 | Except for certain claims, all disputes must be arbitrated in Honolulu, Hawaii with each party bearing their respective costs. |
| V. Choice of forum | Franchise Agreement, Article 21.5 | Subject to applicable law, arbitration and/or Litigation in Honolulu, Hawaii. |
| W. Choice of law | Franchise Agreement, Article 21.3 | Subject to applicable law, Hawaii law applies. |

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchise concerning termination or non-renewal of the franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control. **Please refer to Exhibit A-1 for additional disclosures required by California law.**

These states have laws that may supersede the franchise agreement and related agreements in your relationship with us, including in the areas of termination and renewal of your franchise: NEW YORK CODE [Franchises, General Business Law, Article 33, Sections 680 et. seq.], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], HAWAII [Rev. Stat. Section 482E-1 et. Seq.], WASHINGTON [Code Chapter 19.100. 010 et. seq.]. These and other states also may have court decisions that may supersede the franchise agreement and related agreements in your relationship with us, including in the areas of termination and renewal of your franchise.

**ITEM 18:
PUBLIC FIGURES**

We do not presently hire any public figures to promote your franchise. However, we reserve the right to do so in the future at our sole discretion.

**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.

Historic Net Sales Financial Performance Representation

This Item 19 contains historic Net Sales information from January through December 2023 for L & L Hawaiian Barbecue restaurants in the United States that have been open for at least twelve months, were open and operating during the entire 2023 calendar year, and have provided financial information to us for the full 2023 calendar year. These restaurants are all generally similar to the restaurants offered under this disclosure document (the “Item 19 Restaurants”).

Most of the Item 19 Restaurants operate in retail shopping centers, but some of them operate in different settings, including, but not limited to, the following: a university campus, a golf course, a concession stand, an office building, and a military base. Some of the Item 19 Restaurants have atypical operating hours due to their location. (For instance, the Item 19 Restaurant that is located in an office building is not open on weekends). One Item 19 Restaurant has a drive-thru.

The following Restaurants are excluded from this Item 19: (1) 18 Restaurants that were not open the entire calendar year; (2) 2 Restaurants that did not provide us with their financial statements, as required; and (3) 3 L & L Hawaiian Grill and L & L Mixplate Restaurants that operate under the L & L Hawaiian Barbecue System and are currently in the process of converting the signage in their restaurants to the L & L Hawaiian Barbecue trademarks. Zero Restaurants closed in 2023 after having been open for less than 12 months.

The historic Net Sales data is shown in three tables below. Table 1 below contains Net Sales data for all 202 Item 19 Restaurants. Table 2 below contains Net Sales data for the 195 Item 19 Restaurants that are considered to be “franchised” under applicable franchise laws, because they are owned and operated by third-party individuals or entities that are not us, our affiliates, or individuals disclosed in Item 2 of this disclosure document. Table 3 below contains Net Sales data for the 8 Item 19 Restaurants that are owned, directly or indirectly, by individuals who are disclosed in Item 2 of this disclosure document. We do not treat these restaurants as “company-owned,” and our relationship with these Restaurants is substantially the same as our relationship with any other franchisee. However, the two Restaurants in Honolulu are sometimes used as test locations for new menu items or other new ideas for the System, and as training locations. Regardless, applicable franchise laws require that we classify these restaurants as “company-owned” restaurants in this Disclosure Document.

Table 1: All Item 19 Restaurants

| Sales | No. of Stores | % of Stores | % Cumulative |
|-------------------------|----------------------|--------------------|---------------------|
| Over \$1,000,000 | 88 | 44% | 44% |
| \$750,000 – \$1,000,000 | 53 | 26% | 70% |
| \$500,000 – \$750,000 | 40 | 20% | 90% |
| \$250,000 – \$500,000 | 18 | 9% | 99% |
| Less than \$250,000 | 3 | 1% | 100% |

Table 2: Franchised Item 19 Restaurants

| Sales | No. of Stores | % of Stores | % Cumulative |
|-------------------------|----------------------|--------------------|---------------------|
| Over \$1,000,000 | 82 | 42% | 42% |
| \$750,000 – \$1,000,000 | 52 | 27% | 69% |
| \$500,000 – \$750,000 | 40 | 21% | 89% |
| \$250,000 – \$500,000 | 18 | 9% | 98% |
| Less than \$250,000 | 3 | 2% | 100% |

Table 3: Restaurants Owned By Individuals Listed in Item 2

| Sales | No. of Stores | % of Stores | % Cumulative |
|-------------------------|----------------------|--------------------|---------------------|
| Over \$1,000,000 | 6 | 86% | 86% |
| \$750,000 – \$1,000,000 | 1 | 14% | 100% |
| \$500,000 – \$750,000 | 0 | 0% | 100% |
| \$250,000 – \$500,000 | 0 | 0% | 100% |
| Less than \$250,000 | 0 | 0% | 100% |

As described above, the information reflected in the tables above for the Item 19 Restaurants is based upon the reported unaudited net sales of restaurants in the United States that have been in operation for the full calendar year ending December 31, 2023 and for which the Franchisor has received sales reports for that full calendar year. The term “Net Sales” is as defined in Item 6.

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

The figures above do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your (franchised business). Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information

The Net Sales representations do not reflect the costs of sales or operating expenses to obtain your Net Profit. "Net Profit" means gross profit minus all ordinary and recurring operating expenses, interest, income taxes, depreciation and amortization. This Item 19 does not include any financial performance representations pertaining to Net Profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business.

Written substantiation for the financial performance representation will be made available upon reasonable request.

Other than the preceding financial performance representation and any Supplemental Information provided to you, as described above, L&L Franchise, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. With regard to 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 Elisia Flores, CEO of L&L Franchise, Inc., telephone number (808) 951-9888, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20:
OUTLETS AND FRANCHISEE INFORMATION**

Table 1

| Systemwide Outlet Summary for years 2021 to 2023 | | | | |
|---|-------------|---|---|-------------------|
| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
| Franchised | 2021 | 199 | 202 | 3 |
| | 2022 | 202 | 207 | 5 |
| | 2023 | 207 | 220 | 13 |
| Company Owned | 2021 | 7 | 7 | 0 |
| | 2022 | 7 | 7 | 0 |
| | 2023 | 7 | 7 | 0 |
| Total Outlets | 2021 | 206 | 209 | 3 |
| | 2022 | 209 | 214 | 5 |
| | 2023 | 214 | 227 | 13 |

Table 2

| Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor) for years 2021 to 2023 | | |
|---|-------------|----------------------------|
| State | Year | Number of Transfers |
| CA | 2021 | 1 |
| | 2022 | 5 |
| | 2023 | 4 |
| CO | 2021 | 0 |
| | 2022 | 1 |
| | 2023 | 0 |
| HI | 2021 | 1 |
| | 2022 | 0 |
| | 2023 | 3 |
| NV | 2021 | 1 |
| | 2022 | 0 |
| | 2023 | 1 |
| TX | 2021 | 0 |
| | 2022 | 3 |

| | | |
|--------------|------|----|
| | 2023 | 0 |
| VA | 2021 | 0 |
| | 2022 | 1 |
| | 2023 | 0 |
| Total | 2021 | 3 |
| | 2022 | 10 |
| | 2023 | 8 |

Table 3

| Status of Franchised Outlets for Years 2021 to 2023 | | | | | | | | |
|--|-------------|---------------------------------|-----------------------|---------------------|---------------------|----------------------------------|--|-------------------------------|
| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Re-acquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of Year |
| AK | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| AZ | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| CA | 2021 | 93 | 2 | 0 | 0 | 0 | 1 | 94 |
| | 2022 | 94 | 2 | 0 | 0 | 0 | 2 | 94 |
| | 2023 | 94 | 4 | 0 | 0 | 0 | 1 | 97 |
| CO | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 2 | 0 | 0 | 0 | 0 | 5 |
| FL | 2021 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| GA | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| HI | 2021 | 64 | 2 | 0 | 0 | 0 | 2 | 64 |
| | 2022 | 64 | 2 | 0 | 0 | 0 | 1 | 65 |
| | 2023 | 65 | 3 | 0 | 0 | 0 | 2 | 66 |
| NC | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| NV | 2021 | 19 | 0 | 0 | 0 | 0 | 0 | 19 |
| | 2022 | 19 | 1 | 0 | 0 | 0 | 1 | 19 |
| | 2023 | 19 | 1 | 0 | 0 | 0 | 0 | 20 |

Status of Franchised Outlets for Years 2021 to 2023

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Re-acquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of Year |
|--------------|-------------|---------------------------------|-----------------------|---------------------|---------------------|----------------------------------|--|-------------------------------|
| NY | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| OR | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| SC | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| TN | 2021 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TX | 2021 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2022 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| | 2023 | 7 | 4 | 0 | 0 | 0 | 0 | 11 |
| UT | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| VA | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| WA | 2021 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| | 2022 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2023 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| Total | 2021 | 199 | 7 | 0 | 0 | 0 | 4 | 202 |
| | 2022 | 202 | 10 | 0 | 0 | 0 | 5 | 207 |
| | 2023 | 207 | 18 | 0 | 0 | 0 | 5 | 220 |

Table 4

| Status of Company-Owned Outlets for years 2021, 2022, and 2023 | | | | | | | | |
|---|-------------|---|---------------------------|---------------------------|--------------------------|---|---|---|
| State | Year | Outlets at Start of Year | Outlets Opened | Termi- nations | Non- Renewals | Reacquired by Franchisor | Ceased Operations- Other Reasons | Outlets at End of Year |
| CA | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| HI | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| WA | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Total | 2021 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2022 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2023 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |

| Projected New Franchised Outlets as of December 31, 2023 | | | |
|---|--|--|---|
| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlet in the Next Fiscal Year | Projected New Company-Owned Outlets in the Current Fiscal Year |
| AK | 0 | 0 | 0 |
| AZ | 0 | 2 | 0 |
| CA | 1 | 3 | 0 |
| CO | 0 | 2 | 0 |
| FL | 0 | 0 | 0 |
| GA | 0 | 2 | 0 |
| HI | 0 | 1 | 0 |
| NC | 1 | 0 | 0 |
| NV | 0 | 0 | 0 |
| NY | 0 | 0 | 0 |

| | | | |
|--------------|---|----|---|
| OR | 0 | 0 | 0 |
| TX | 0 | 4 | 0 |
| UT | 0 | 0 | 0 |
| VA | 1 | 2 | 0 |
| WA | 0 | 2 | 0 |
| Total | 3 | 18 | 0 |

Company-Owned Restaurants

Neither we nor any affiliate of ours owns or operates any Restaurants. However, some of our owners and personnel disclosed in Item 2 have an ownership interest in 7 Restaurants. Our relationships with those owners and Restaurants are substantially similar to our relationships with our other franchisees. However, the two Restaurants in Honolulu are sometimes used as test locations for new menu items or other new ideas for the System, and as training locations. Franchise laws require that we classify these Restaurants as company-owned Restaurants in the tables above.

Restaurants Outside of the United States

As of the date of this Disclosure Document, there are also two franchised Restaurants operating in Japan.

Contact Information for Current Franchisees

Contact information for our current franchisees is set forth in Exhibit F.

Former Franchisees

During the last fiscal year, the following L & L Hawaiian Barbecue franchisees have left the system:

Lahaina (Papalaua)
 Qiang Liu and Luc Huynh
 1221 Honoapiilani Hwy., Ste. J1,
 Maui, Hawaii
 808-661-9888

First Hawaiian Bank
 Sam Chen
 999 Bishop St., #150
 Oahu, Hawaii
 808-587-8008

Denise Lam and Myra Mao
 3394 S. Bristol St., Unit B

Santa Ana, California
714-831-9979

Greg Barker and Kim Barker
5445 Fruitvilee Road
Sarasota, Florida
941-315-9008

Spencer Reid and Jared Reid
158 W. 1230 North
Provo, Utah
801-818-2288

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Confidentiality Agreements

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with L & L Hawaiian Barbecue. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Franchisee Association

We have established and endorse a franchisee association or “franchisee advisory council” that is currently operating. We nominate individuals to serve on the council, develop the agenda, and run the meetings. Presently, the following franchisees are members of the franchisee advisory council:

Sarah Yee
1302 Austin Highway
San Antonio, TX 78209
(210) 474-6699

Tony Cam
41-1610 Kalaniana'ole Highway
Waimanalo, HI 96795
(808)259-6888

Alex Wong
1380 West Campbell Avenue
Campbell, CA 95008
(408)866-0982

Richard Solomon
8280-A Mira Mesa Blvd.
Mira Mesa, CA 92126
(858)693-5888

Gurpreet Jassal
6731 Westminster Blvd. #108
Westminster, CA 92683
(714) 903-6988

Samuel Li
700 Keeaumoku Street
Honolulu, HI 96814
(808) 955-3382

Sai Yamagata
14221 E. Cedar Ave., Unit C
Aurora, CO 80012
(303) 340-8824

ITEM 21:
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit C are our audited, financials of L & L Franchise, Inc. for fiscal years 2021, 2022, and 2023, and our unaudited financial statements as of March 31, 2024.

ITEM 22:
CONTRACTS

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

- A. L & L Franchise, Inc. Franchise Agreement
- A-1. State Addenda
- B. Confidential Information Agreement
- C. Financial Statements
- D. Franchise Manual – Operation Manual Table of Contents
- E. Agency/Agent for Service of Process
- F. Current Franchisees
- G. Approved Suppliers/Manufacturers
- H. Personal Guaranty
- I. Franchise Compliance Questionnaire
- J. State Effective Dates
- K. Receipts

**ITEM 23:
RECEIPTS**

The Receipts are the last two pages of the Franchise Disclosure Document. This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

EXHIBIT A

L&L FRANCHISE, INC. Franchise Agreement

EXHIBIT "A"

L & L Franchise Agreement

L & L FRANCHISE AGREEMENT

between

L & L FRANCHISE, INC.

and

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FRANCHISE AGREEMENT

THIS AGREEMENT made this ____ day of _____, 20__ (the “Effective Date”), by and between L & L Franchise, Inc., a Hawaii corporation, located at 2138 Algaroba Street, Honolulu, Hawaii 96826 (“Franchisor” or “L & L”), and _____, a _____, located at _____ (“Operator” or “Franchisee” as also defined in Article 10):

DEFINITIONS

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

(i) A “L & L Franchise System Restaurant” or “System Restaurant” or the “Restaurant” is a restaurant or other outlet that specializes in the sale of Authorized Products, as defined below, that is operated under Franchisor’s Marks, as defined below, and is authorized by a Franchise or License Agreement made or approved by Franchisor.

(ii) “Authorized Products” are products approved or authorized by Franchisor in accordance with Article 5 or 8 of this Agreement.

WHEREAS, Franchisor is the owner of certain service marks or trademarks including, but not limited to, “L & L HAWAIIAN BARBECUE” (no claim is made to the exclusive right to use “Hawaiian Barbecue” apart from the mark as shown), and Franchisor may in the future become the owner, licensee and/or authorized distributor for related trademarks and service marks, including logos and designs that Franchisor may designate for use in connection with the System from time to time, at Franchisor’s option (collectively, “Franchisor’s Marks” or “Marks”); and

WHEREAS, Franchisor has developed and continues to develop a system for merchandising Authorized Products, which system includes distinctive signs, food recipes, products, goods, trade dress, and various trade secrets and other Confidential Information, and in some cases also includes architectural designs, equipment specifications, layout plans, inventory, record-keeping and marketing techniques (the “System”). The System and Franchisor’s other mandatory and suggested recommendations are materially reflected in Franchisor’s Operations Manual and other manuals (the “Manuals”). Franchisor identifies the System by Franchisor’s Marks, and such other trademarks, service marks, trade names, logos and designs as may be designated by Franchisor in writing as being authorized for use under the System. Franchisor’s Marks identify for the public the source of the services rendered in accordance with the standards and specifications established by Franchisor; and

WHEREAS, the brand and the System have a reputation for quality, cleanliness, appearance and service, and through such operations and continued

marketing and advertising efforts, have created demand and goodwill for the authorized L & L Franchise System Restaurant food products sold as a result of which the brand and the System has acquired valuable goodwill and a favorable reputation; and

WHEREAS, Franchisor has issued and will continue to issue franchise agreements for franchisees to operate quick service restaurant operations using primarily the L & L Hawaiian Barbecue names in states in American and other countries;

WHEREAS, Franchisor has adopted and assisted operators of System Restaurants to implement best practices with respect to the ongoing COVID-19 pandemic in terms of best practices with respect to the health and safety of employees and customers;

WHEREAS, Franchisor will continue to assist operators of System Restaurants to adopt to the changing marketplace during the ongoing COVID-19 pandemic with respect to customer convenience and changing regulations;

WHEREAS, Operator desires to enjoy the benefits of (i) operating under the System and using Franchisor's Marks, and (ii) being authorized and licensed to operate one (1) System Restaurant as set forth below within the System in strict accordance with the standards and specifications established by Franchisor; and

WHEREAS, Franchisor is willing to grant Operator a license under Franchisor's Marks and the System, subject to Operator's strict compliance with the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

**ARTICLE 1.
FRANCHISE RIGHT GRANTED, LOCATION**

1.1 GRANT.

In consideration of the issuance of the franchise granted herein, Operator shall pay to Franchisor the non-refundable sum of thirty-five thousand dollars (\$35,000.00) (the "Initial Fee"). In exchange, Franchisor hereby awards Operator the right to open and operate, under the terms of this Agreement, one (1) System Restaurant specializing in selling high quality limited and specific food items as specified by Franchisor in Franchisor's Manuals, or subsequently added in accordance with amendments to the Manuals, under Franchisor's Marks.

No exclusive or protected territory or market is intended to be granted by this Article or this Agreement. The Franchisor and/or other franchisees may or can use alternate channels of marketing or distribution such as internet, catalogue, mail order, food delivery, telemarketing or telecommunications and may solicit or accept orders from consumers located at or near the approved restaurant Location. The Initial Fee shall be deemed fully earned by Franchisor upon the execution of this Agreement by

Franchisor and Operator and shall not be refunded, in whole or in part, upon any termination of this Agreement, or at any other time or under any other circumstances.

In the event Operator enters into Franchise Agreement to operate more than one System Restaurant. Operator shall pay Franchisor a franchise fee of twenty thousand dollars (\$20,000.00) for each of the second through fifth System Restaurants and fifteen thousand dollars (\$15,000.00) for each of the sixth or more System Restaurants.

1.2 LICENSE.

Franchisor hereby grants and awards to Operator, for the term set forth in this Agreement, beginning on the Effective Date of this Agreement, the right and license, and Operator hereby undertakes the obligation, to develop and operate a System Restaurant as described in this Agreement under Franchisor's Marks from the opening date until the end of the term (and any renewal term), to operate such business solely in accordance with the System, and only at the specific location to be agreed upon by Franchisor and Operator (the "Location"). No exclusive territory or radius protection is given to Operator. Franchisor shall have the sole and complete discretion to approve the existence of other System Restaurants at other locations without territory or radius restrictions or protections.

1.3 LOCATION.

No Location has been agreed upon at the time of the execution of this Agreement unless set forth and identified in this Agreement or an attached rider. Operator shall engage only in the business of operating a System Restaurant at the Location and no other, except with Franchisor's prior written consent. Franchisor does not lease any location to Operator. Operator shall identify proposed location and site for Operator's System Restaurant, obtain Franchisor's approval of such site, sign a lease for the location, and open for business within twelve (12) months of the Effective Date of this Franchise Agreement. If Operator does not fulfill each of these obligations within the twelve (12) month anniversary of the Effective Date of the Franchise Agreement, Franchisor shall have the right to terminate this Franchise Agreement and retain all fees. In extenuating circumstances, Franchisor may grant Operator a limited extension of time to obtain a lease for an approved location. Operator acknowledges its sole risk and responsibility for finding or leasing from independent third parties a suitable and viable Location and that Franchisor is not obligated to directly or indirectly obtain an approved location for Operator. Franchisor's approval of a Location means only that such Location meets Franchisor's minimum requirements for a System Restaurant, and does not assure, guarantee, or suggest that the location will be suitable, viable or profitable.

1.4 ASSIGNMENT OF LEASES.

If Franchisee operates the Restaurant under a lease with a third party or, with respect to any lease for equipment used in the operation of the Restaurant then, Franchisee shall, at Franchisor's option, assign to Franchisor any interest that

Franchisee has in any lease for the Location of the Restaurant or any equipment related thereto. Franchisor may exercise such option at or within sixty (60) days after either termination or (subject to any existing right to renew) expiration of this Agreement.

ARTICLE 2. INSTALLATION AND COMMENCEMENT OF BUSINESS

Operator, at its own expense, shall (i) renovate the Location into a System Restaurant in compliance with all laws and this Agreement; (ii) obtain all necessary governmental permits and licenses prior to beginning the renovation of its Location into a System Restaurant and Operator shall fully complete the renovation, construction and equipping within a reasonable time thereafter. The Restaurant must conform to Franchisor's requirements for System Restaurants, including, but not limited to, with regard to the design, wallpaper, layout, signage, trade dress, color schemes, and presentation of the Marks. Franchisor may, at its option, provide, at no charge, its prototypical conceptual schematic designs and other specifications for the construction and/or build-out of a System Restaurant, improvement of the site, and for the layout of fixtures, furnishings, equipment, and signs. From time to time, Franchisor may develop and provide additional materials (such as templates for contract bids, and sample development checklists) regarding the construction and preparation of the Restaurant. To the extent Franchisor develops these items, it will make them available to Operator as part of the Manuals or otherwise communicate them to Operator in writing or through electronic or other formats. Operator must, at its own expense, prepare the site and complete all construction, furnishing, remodeling, decorating as required by this Agreement. Operator shall commence operation of each System Restaurant no later than thirty (30) days following substantial completion of the renovation and equipment installation at the Location, and shall give Franchisor ten (10) days written notice prior to commencing operations. Operator shall not commence operation of its System Restaurant until Operator has:

1. Obtained Franchisor's approval of the construction and development of the restaurant in accordance with Franchisor's specifications and designs,
2. Satisfactorily completed the training program required by Franchisor;
3. Paid the initial franchise fee and all other amounts due to Franchisor; and
4. Provided Franchisor with copies of all required insurance policies or such other evidence of insurance coverage and payment of premiums as Franchisor requires.
5. Obtained from Franchisor prior written approval of its proposed opening date.

In no event shall Operator construct or remodel the interior or exterior of any System Restaurant or make any improvements which vary from the then-current standards, plans, and specifications approved by Franchisor, without first obtaining Franchisor's prior written approval. Operator, at its own expense, shall obtain all

municipal and state licenses necessary to operate Operator's System Restaurant prior to commencing business at its System Restaurant and shall maintain all licenses in full force and effect during the term of this Agreement.

In the event that Operator has not commenced operation of a System Restaurant at a site acceptable to Operator and approved by Franchisor within twelve (12) months from the time the Franchise Agreement is signed, any and all of Operator's rights to open and operate a System Restaurant conferred under this Agreement shall cease, and this Agreement shall terminate. In extenuating circumstances, Franchisor may grant a limited extension at Franchisor's sole option. For the avoidance of doubt, failure to open for business within this twelve (12) month time frame shall cause the Franchise Agreement to terminate and entitle Franchisor to retain all of the initial franchise fee and any other amounts paid. Once open, the System Restaurant must continue operation for the duration of the term.

During the term of this Agreement and after the expiration, voluntary and involuntary cancellation or termination of this Agreement for any reason, or an assignment, sale or transfer of Operator's rights and/or interest under this Franchise Agreement, all of the Franchisor's rights under this Agreement, and Confidential Information Agreement, and Guarantys including but not limited to Article 4 (Confidential Manuals), and Article 10 (Covenant regarding other business interests) shall remain binding upon Operator and all guarantors as well as any and all assignees, transferees or successors of Operator's rights and/or interest under the Franchise Agreement, Confidential Information Agreement and Guarantys.

ARTICLE 3. TRAINING

3.1 Operator will designate individuals (up to 2 persons, one of which may be Operator) as trainee(s) to attend Franchisor's training programs at the time and training location(s) selected by Franchisor. Franchisor will bear the costs of providing training programs, including the overhead costs of training, staff salaries, materials, and all technical training tools. Operator shall pay all traveling, living, wages and compensation, and other expenses incurred by Operator and/or Operator's employees in connection with attendance at training programs. The training program and manner of conducting such programs shall be at Franchisor's sole discretion and control. The training course will be structured to provide practical training in the implementation and operation of a System Restaurant. The initial training program may involve up to three (3) days of instruction at Franchisor's offices in Honolulu, Hawaii and up to four (4) weeks of intensive on-the-job training in a L & L Franchise System Restaurant in Honolulu, Hawaii, or such training may take place at another location designated by Franchisor from time to time. At Franchisor's sole discretion, the training requirements may be waived or shortened. In addition to the initial training program, Operator shall designate and send two principal representatives of the Operator owners to attend periodic franchisee training, marketing and operations programs at location(s) selected by Franchisor. Attendance and satisfactory completion of such additional periodic franchise training may, at Franchisor's sole discretion, be scheduled for one or more sessions

totaling up to five working days per year. Such additional periodic franchise training is a mandatory obligation and requirements for franchise Operator.

3.2 Operator will not allow any System Restaurant to be opened or managed by any person who has not attended and successfully completed the training program designated by Franchisor. If Operator is an individual, and does not manage its System Restaurant on a day-to-day basis, and in the event its designated System Restaurant manager resigns or is terminated, Operator must arrange to have the successor restaurant manager (i) begin the required training programs within forty-five (45) days of first assuming the duties of a restaurant manager and (ii) successfully complete the programs.

3.3 If at any time the trainee voluntarily withdraws from, or is unable to complete its training, or fails to demonstrate an aptitude, spirit or ability to comprehend and carry out the course of study to the reasonable satisfaction of Franchisor, then Franchisor shall have the right to require Operator's trainee to attend other training class(es) or to perform additional operational training until Franchisor is reasonably satisfied that Operator's trainee has satisfactorily completed the training programs. Operator may not open its System Restaurant until training is completed to Franchisor's reasonable satisfaction.

3.4 Additional training sessions are available at Operator's request and expense, and at Franchisor's request, at Operator's expense, except for the initial training program itself. Operator's attendance at additional training sessions is mandatory if they are scheduled in Operator's state. For these additional training sessions, Franchisor will provide the instructors and instructional materials, but Operator must arrange for transportation, lodging and food for itself and/or its manager.

ARTICLE 4. MANUALS AND STANDARDS OF OPERATOR QUALITY, CLEANLINESS AND SERVICE

4.1 STANDARDS.

In order to promote the value and goodwill of Franchisor's Marks and the Franchise System Restaurant and to protect Franchisor's Marks and the other L & L Franchise System Restaurant operators who comprise the L & L Franchise System Restaurant network, Operator agrees to conduct its business in accordance with the standards promulgated by Franchisor from time to time, set forth in the Manuals or otherwise.

In addition, Operator agrees to adopt best practices as determined by Franchisor with respect to the health and safety of employees and customers during the ongoing COVID-19 pandemic. At all times, Operator shall comply with all applicable laws and regulations.

4.2 MANUALS.

4.2.1 In the Manuals and other publications, Franchisor may list authorized and/or mandatory products to be sold by Operator, and promulgate mandatory or suggested standards of operation for System Restaurants, including standards of quality, cleanliness, and service for food, beverages, furnishings, interior and exterior decor, trade dress, supplies, fixtures, and equipment used in connection with each System Restaurant. Operator agrees to operate its System Restaurant in accordance with the standards, specifications and procedures set forth in the Manuals and this Agreement. Operator acknowledges and agrees that Franchisor has the right to make changes to its standards, specifications and procedures in its Manuals in its sole and complete discretion. Operator further agrees that changes in the menu, furnishings, interior and exterior décor, trade dress, supplies, fixtures, equipment or the standards, specifications and procedures may become necessary from time to time and agrees to comply with and accept as reasonable all changes to the menu, modifications, revisions and additions to the Manuals as authorized by Franchisor. The sale of any product or service at the Operator's Location, without Franchisor's prior written approval shall constitute a material breach of this Agreement.

4.2.2 The Manuals and all amendments to the Manuals (and copies thereof) are Franchisor's property and Franchisor claims copyright protection in these materials. They are loaned to Operator for the term of the Agreement, and must be returned to Franchisor upon the Agreement's termination, expiration or nonrenewal (or destroyed, at Franchisor's option). The Manuals are highly confidential and contain certain trade secrets of Franchisor. Operator shall never reveal, or use in connection with the operation of any business other than a System Restaurant, such Manuals, and shall take all reasonable precautions, both during and after the term of this Agreement, to assure that its employees or any other party under Operator's control, shall never reveal or use in connection with the operation of any business other than a System Restaurant, any of the contents of the Manuals or any other publication, recipe or secret provided by Franchisor, except as is necessary for the operation of Operator's System Restaurant.

4.3 OPERATION.

To the extent that Franchisor may recommend certain mandatory or suggested hours of operation for the System Restaurant, such recommendation shall be set forth in the Manuals.

4.4 APPEARANCE.

From time to time, Operator's System Restaurant may need a cosmetic improvement or equipment change or addition in order to comply with the Manuals and/or to maintain proper operations and an aesthetic appearance and professional image. Accordingly, Franchisor may require remodeling and renovation, and modifications to existing equipment and improvements as is reasonably necessary to

maintain the brand standards. Franchisor shall not require any such work at a particular System Restaurant less than three (3) years after the opening of the System Restaurant except: (i) for additional equipment if new food preparation methods or products are developed and authorized by Franchisor; (ii) if repairs or repainting are necessary to maintain the appearance of the interior and exterior of the Location in a clean and orderly condition satisfactory to Franchisor; or (iii) upon the sale of the Operator's System Restaurant or transfer of twenty percent (20%) or more of the ownership interest in and to the System Restaurant. Within ninety (90) days after receipt of written notice, Operator shall fully implement and complete such changes to its System Restaurant operating under this Agreement.

4.5 PRODUCT LINE AND SERVICE.

Operator agrees to only serve the approved product line items specified by Franchisor in this Agreement, the Manuals or as approved in writing by Franchisor and to follow all specifications and formulas of Franchisor as to specifications, contents, weight and quality of products served to its customers from Operator's System Restaurant. Operator further agrees to implement Franchisor requirements with respect to the customer experience as Franchisor may adopt from time to time.

4.6 CONTAINERS, FIXTURES AND OTHER GOODS.

4.6.1 Operator agrees that all food and drink items will be served in containers bearing accurate reproductions of Franchisor's Marks. All bags, cups, menus and other packaging and like articles used in connection with Operator's System Restaurant shall conform to Franchisor's specifications, shall be imprinted with Franchisor's Marks and shall be purchased by Operator from a distributor or manufacturer approved in writing by Franchisor, as provided in Article 8, which approval will not be unreasonably withheld.

4.6.2 No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, equipment or utensils bearing any of Franchisor's Marks shall be used in or upon any System Restaurant unless the same shall have been first submitted to and approved in writing by Franchisor.

4.6.3 Operator further understands that it may become necessary for Operator to replace or upgrade the entire cash register or point of sale (POS) system with a newer or larger system capable of assuming and discharging all the tasks and functions specified by Franchisor. Operator further understands and agrees that as design and functions change periodically, Franchisor may require Operator to make substantial modifications to meet Franchisor's specifications or to require installation of entirely different systems during the term of this Agreement or during the term of any renewal Franchise Agreement.

4.6.4 Operator agrees, at Operator's expense, to keep Operator's cash register or point of sale system in good maintenance and repair. Following Franchisor's testing and determination that it will prove beneficial to Operator, Operator agrees to install at

Operator's own expense such additions, changes, modifications, substitutions and/or replacements to Operator's hardware, software, telephone lines, power lines and other related facilities as Franchisor may direct on those dates and within those times specified by Franchisor in its sole and exclusive discretion in its Manuals or otherwise.

ARTICLE 5. MENUS, UNIFORMS, INSPECTIONS, SIGNS

5.1 MENUS.

5.1.1 Operator shall not manufacture, advertise for sale, sell or give away any product unless such product has been approved in the Manuals as an Authorized Product for sale in Operator's System Restaurant and not thereafter disapproved in writing by Franchisor. All Authorized Products shall be distributed under the specific name designated by Franchisor. Operator shall establish all menu prices in its sole discretion; provided, however, that, subject to compliance with applicable federal and state laws, Franchisor may set minimum or maximum prices. If Franchisor has imposed such a minimum or maximum price or other requirement, Operator may not charge a price that is less than the minimum price, or greater than the maximum price, set by Franchisor. Operator shall offer for sale in its System Restaurant only those food products which Franchisor designates as "approved and authorized" or which Franchisor has made available as a "regionalized" menu or has otherwise specifically approved in writing (each, an "Authorized Product," as described above). No Authorized Product will be removed from the menu unless Operator is so instructed by Franchisor.

5.1.2 Such "Authorized Products" shall be marketed by approved menu formats to be utilized in Operator's System Restaurant. The approved and authorized menu and menu format(s) may include, in Franchisor's discretion, requirements concerning organization, graphics, product descriptions, illustrations, and any other matters (except prices) related to the menu, whether or not similar to those listed. In Franchisor's discretion, the menu and/or menu format(s) may vary depending upon region, market size, and other factors. Franchisor may change the menu and/or menu format(s) from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or non-uniform System Restaurant(s) within regions, in which case Operator will be given a reasonable time (not longer than thirty (30) days) to discontinue use of any old menu format(s) and implement use of the new menu format(s).

5.1.3 Operator shall, upon receipt of notice from Franchisor, add any Authorized Product to its menu according to the instructions contained in the notice. Operator shall have a minimum of thirty (30) days after receipt of written notice in which to fully implement any such change. Operator shall cease selling any previously approved product within thirty (30) days after receipt of notice that the product is no longer approved.

5.1.4 The Authorized Products sold by Operator shall be of the highest quality, and the ingredients, composition, specifications, and preparation of such food products shall comply with the instructions and recipes provided by Franchisor or contained in

Franchisor's Manuals, and with the further requirements of Franchisor as they are communicated to Operator from time to time.

5.2 COMPLIANCE.

Operator shall operate each of its System Restaurants as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies, and shall comply with all applicable ordinances, laws, statutes and regulations, including all disability laws (including but not limited to the Americans with Disabilities Act (ADA) as amended) and any applicable state civil rights or disability rights laws), food and drug laws and regulations. Operator shall not allow any Location or part of a Location to be used for any immoral or illegal purpose.

5.3 SIGNS, MENU BOARDS, DESIGNS AND FORMS OF PUBLICITY.

5.3.1 The interior and exterior appearance of the Restaurant must conform to Franchisor's precise specifications at all times. For instance, Operator shall install and maintain a suitable sign or awning at, on, or near the front of the Location, identifying the Location as a "L & L Franchise System Restaurant," and a menu board within the location. Such sign and menu board shall conform in all respects to Franchisor's requirements and be in accordance with the layout and design plan approved for the Location, including the design, colors, and photos used in such menu board, except to the extent prohibited by local legal restrictions. Operator shall meet and maintain the highest health standards and ratings applicable to the operation of a System Restaurant. Franchisor in its sole discretion may change, modernize and adapt new designs, logos and color schemes for System Restaurants. In such event, Operator, at its cost, agrees to install, use and maintain such new signs, menu boards and designs.

5.3.2 No menu board, exterior or interior sign poster, images of food products or any design, advertisement, sign, or form of publicity, including form, color, pictures, graphic art, number, location, and size, whether in print, online, or in any other medium, shall be used by Operator unless first submitted to Franchisor and approved in writing (except with respect to prices). Any request by Operator for such approval shall be properly submitted to: L & L Franchise, Inc., 2138 Algaroba Street, Honolulu, Hawaii 96826, Attn: Elisia Flores. Franchisor shall respond to such request within thirty (30) days of its receipt. Whenever Operator elects to utilize, in the form supplied, advertising supplied by Franchisor or any promotional item specifically approved by Franchisor, no further approval for use of such material is required. Upon written notice from Franchisor, Operator shall discontinue and/or remove any objectionable advertising materials or any other materials not suitable for display, in Franchisor's sole discretion.

5.3.3 Franchisee agrees not to establish a website or permit any other party to establish a website that relates in any manner to the Restaurant or refers to the Marks, except as Franchisor may designate or approve in writing. Franchisor has the right, but not the obligation, to provide one or more references to or webpage(s) for Franchisee's Restaurant, as Franchisor may periodically designate, within Franchisor's website. (The term "website" means one or more related documents, designs, pages, or other

communications that can be accessed through electronic means, including but not limited to the internet, World Wide Web, social networking sites (including but not limited to Facebook, Twitter, LinkedIn, Instagram etc.), blogs, vlogs, and other applications, etc.). If Franchisor ever does approve in writing a request for Franchisee to use a separate website (although Franchisor is not required to permit Franchisee to do so), then Franchisor has the right to require that Franchisee complies with the standards, specifications, conditions, and requirements relating to such websites that Franchisor may periodically prescribe in the Manuals or otherwise in writing. Franchisor may from time to time establish policies regarding social media as Franchisor determines appropriate for the System. Any use of social media using the Marks is considered advertising, and Franchisee must comply with Franchisor's social media and advertising policies, including approval requirements. Franchisor may modify these policies as Franchisor determines appropriate, including as available technologies and advertising methods change.

5.4 BRANDED ATTIRE.

To preserve and protect the brand, Operator shall cause all employees, while working in System Restaurants, to: (i) wear the branded attire that Franchisor may designate from time to time, and (ii) present a neat and clean appearance.

5.5 VENDING OR OTHER MACHINES.

Operator shall not permit vending or game machines or any other mechanical device to be installed or maintained in its Location without Franchisor's prior written approval.

5.6 INSPECTION.

5.6.1 Franchisor's authorized representatives shall have the right to enter upon the entire premises of Operator's System Restaurant at any time during business hours without prior notice or notification and without disrupting Operator's business operations, for the purposes of examining same, conferring with Operator's employees, inspecting and checking operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures, and equipment, and determining whether the business is being conducted in accordance with this Agreement, the System and the Manuals.

5.6.2 In the event any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including but not limited to quality, cleanliness, service, health and authorized product line, Franchisor will notify Operator in writing of Operator's non-compliance with the Manuals, the System, or this Agreement. Operator shall have twenty-four (24) hour after receipt of such notice, or such other greater time period as Franchisor in its sole discretion may provide, to correct or repair such deficiency or unsatisfactory condition, if it can be corrected or repaired within such period of time. If not, Operator shall within such time period commence such correction or repair and thereafter diligently pursue it to completion.

ARTICLE 6.
ADVERTISING, MARKETING, PROMOTION AND CONVENTION CONTRIBUTION

6.1 Operator and Franchisor acknowledge the value of advertising and accordingly Operator agrees to pay the following amount each and every month of its operations to Franchisor (the "Advertising Fee"): (a) if Operator's System Restaurant is located on the West Coast of the continental United States, as designated by Franchisor, the Advertising Fee shall be equal to one percent (1%) of Net Sales, (b) if Operator's System Restaurant is located east of Texas in the continental United States, as designated by Franchisor, the Advertising Fee shall be equal to two percent (2%) of Net Sales, and (c) if Operator's System Restaurant is located in Hawaii, the Advertising Fee shall be equal to three hundred fifteen dollars (\$315), which amount may increase from time to time by no more than ten dollars (\$10) per increase. Net sales are defined as all revenues excluding and after deduction of sales or excise taxes (excluding price discounts and allowances) received by Operator as payment, whether in cash or for credit (and, if for credit, whether or not payment is received therefor), for all beverages, food, and other goods, services, and supplies sold in or from (each of) Operator's Restaurant(s), and gross revenues received by Operator from any other business operated at the Location (excluding revenues from any mechanical or other device, such as vending or game machines installed at the Location). Net sales shall be calculated prior to any deduction for expenses relating to the business.

These funds will be deposited, at Franchisor's sole discretion, into a segregated advertising account (with other advertising collections) controlled by Franchisor or to a regional advertising cooperative covering Operator's System Restaurant. Advertising payments will then be spent at Franchisor's sole discretion for advertising to benefit Operator and/or all or regional operators of System Restaurants. The Advertising Fee shall be paid in accordance with the procedure described in Article 9.

6.2 Franchisor, at its sole discretion, may spend the collected fees directly, or may authorize payment of the advertising collections for media time or space, production of media materials, whether for radio, television, newspapers or store level materials such as flyers, or posters, or for any other type of advertising or marketing use. Franchisor is not, under any circumstances, obligated to contribute to any national or local advertising fund, program, Association, or other organization any advertising fees or contributions.

6.3 Franchisor may authorize expenditure of the time, producing media materials (whether they be for radio, television, newspapers, or store-level materials like flyers, posters, etc.) and paying for administrative, planning, marketing, promotion or Franchisor's own advertising personnel, and/or for third party agencies or consultants and for use to organize and conduct periodic meetings or conversations on a regional or system-wide basis (including the payment in whole or in part of transportation and/or lodging costs of the Franchisor's staff and representatives and Franchisee representatives. Twenty percent (20%) or more of the advertising, marketing, and promotional contributions may be used by Franchisor to cover Franchisor's

administrative expenses. Advertising, promotion or marketing may be on television, radio, internet, newspaper, magazines, direct mail, flyers, posters, brochures, calendars, t-shirts, logo bearing merchandise and marketing materials, coupons or similar media. The coverage of the media may be local, regional or national. Franchisor may prepare advertisements, marketing and promotional material and publicity in-house or may use regional or national advertising agencies to prepare the materials.

Franchisor is not obligated to contribute any amount to any national or local advertising funds or programs. There shall be no requirements that Franchisor must spend any amount of advertising, in any particular areas or territory where Operator's System Restaurant is located. The use and expenditure of the advertising contribution shall be at Franchisor's sole discretion. If any part of the advertising contribution is not spent in the fiscal year in which such advertising contribution accrues, Franchisor may utilize the advertising contribution in any other fiscal year in its sole discretion. Operator will not receive any periodic accounting of how advertising contributions are spent. No part of the advertising contributions is to be used for advertising that is principally a solicitation for the sale of franchises.

Franchisor will prepare unaudited annual statements showing how advertising contributions have been expended. These statements will be given to Operator on written request.

At Franchisor's sole discretion, the advertising, marketing and promotion contributions may be used toward expenses of planning and conducting periodic conferences and/or meetings of the Franchisor and groups or all of the Franchisees. Franchisor will not use advertising contributions, or any associated interest earnings, for advertising or marketing that principally solicits the sale of franchises. Franchisor reserves the right to add tag lines to advertising or marketing indicating that franchises are available and giving contact information. Franchisor is not required to spend any amount of the advertising contributions on advertising or promotions in Operator's area. Other than reimbursement for reasonable costs and overhead incurred in administering and expending the advertising contributions, neither Franchisor nor any affiliate will receive any payment for providing services or products related to these activities. If any contributions, including any associated interest earnings, are not spent in the fiscal year in which they accrue, they will be kept for use in later years.

6.4 Franchisor shall have the right to require Operator to participate in marketing, gift card, gift certificate, discount pricing and/or menu items promotions on an area, regional, statewide or systemwide basis. If so, required by Franchisor, Operator agrees to and shall participate in such marketing, gift card, gift certificate, discounted pricing and/or menu item promotions.

6.5 At its expense and exclusive of any sums paid to Franchisor, Operator shall conduct on a monthly basis continuing local advertising in the form, content and media approved by Franchisor in an amount equal to not less than one percent (1%) of Net sales ("Local Advertising"). All Local Advertising by Operator must be in such

media and of such types and format as Franchisor may approve; must be conducted in a dignified manner; and must conform to such standards and requirements as Franchisor may specify. Upon request, Operator shall submit evidence of any such expenditures to Franchisor in the manner and form set forth in the Manuals or otherwise in writing. In the event that Operator shall fail to expend such sums on Local Advertising, Franchisor may, immediately upon notice provided to Operator, assess Operator for such deficiency or require Operator to spend the amount of such deficiency during the next succeeding calendar month, in addition to spending at least one percent (1%) of the Net Sales of the Restaurant during such calendar month on Local Advertising, or Franchisor, at its option, may require Operator to pay this amount to Franchisor. Franchisor may either spend it on Operator's behalf, or contribute such amount to the Fund, at its sole option. Failure to comply with this Section shall be deemed a material breach of this Agreement. Operator acknowledges that it must follow the procedures provided in the Manuals with respect to all advertising and promotional requirements, and it may not use any advertising or promotional plans that Franchisor has not approved in writing. Operator shall also market, advertise and promote the Restaurant to the maximum reasonable extent, consistent with good and professional business practices, and the local advertising expenditures herein specified shall be only one component thereof. Franchisor has the right to periodically designate in the Manuals the types of expenditures that will or will not count toward the minimum annual Local Advertising spending requirement. If Operator advertises jointly with other franchisees, Operator's share of the cost will count toward Operator's Local Advertising spending requirement under this Section. Local Advertising expenditures do not include the Grand Opening Advertising Program required under Section 6.6 below.

6.6. In addition to the Local Advertising described above, Operator must also conduct a Grand Opening Advertising Program for the Restaurant during the period from sixty (60) days prior to opening the Restaurant and up to ninety (90) days after the date the Restaurant commences operations, spending an amount not less than five thousand dollars (\$5,000). Operator must obtain Franchisor's prior written approval as before implementing any advertising plans and/or making any use or placement of advertising and promotional materials as part of the Grand Opening Advertising Program. Operator acknowledges that the Grand Opening Advertising Program may not be sufficient in all cases to develop adequate exposure to the services offered by Restaurant, and that it may be necessary for Operator to supplement the Grand Opening Advertising Program with additional advertising and promotional expenditures and efforts. For the avoidance of doubt, Operator acknowledges that its expenditures for the Grand Opening Advertising Program are in addition to local marketing expenditures required pursuant to section 6.5 above.

ARTICLE 7.
COMPANY MARKS, ADDITIONAL MARKS AND COPYRIGHTED MATERIALS

7.1 Franchisee acknowledges that the Franchisor is the owner of all right, title and interest, together with all the goodwill of Franchisor's Marks. Franchisee further acknowledges that Franchisor's Marks designate the origin or sponsorship of the System Restaurant and that Franchisor desires to protect the goodwill of Franchisor's Marks and to preserve and enhance the value of Franchisor's Marks.

7.2 Franchisee further acknowledges that it is of utmost importance that the goodwill, stature, and image of quality associated with the Marks be maintained and enhanced by Franchisee. Franchisee will make no use of Franchisor's Marks without the prior approval of Franchisor, this Agreement itself not constituting such approval. To maintain and enhance the goodwill and image of quality associated by the public with Franchisor's Marks, Franchisee will conduct its business in accordance with this Agreement and specifically with the provisions of this Section 7.

7.3 Franchisee further acknowledges that the Franchisee's right to use Franchisor's Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor in the Manuals and elsewhere from time to time during the Initial Term of this Agreement.

7.4 Franchisee acknowledges and agrees that the Franchisor is the sole and exclusive owner of Franchisor's Marks and that it will never dispute, contest, or challenge, directly or indirectly, the validity or enforceability of Franchisor's Marks or Franchisor's ownership of Franchisor's Marks, nor counsel, procure, or assist anyone else to do the same, nor will it take any action that is inconsistent with Franchisor's ownership of Franchisor's Marks, nor will it represent that it has any right, title, or interest in Franchisor's Marks other than those expressly granted by this Agreement.

7.5 Upon Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement and at Franchisor's expense, in confirming, perfecting, preserving, and enforcing Franchisor's rights in Franchisor's Marks, including but not limited to, executing and delivering to Franchisor such documents as Franchisor reasonably requests for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and marketing of the Services and other products and services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing such documents.

7.6 Franchisee will use Franchisor's Marks only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising, marketing and promotional materials, invoices, signage, business checks, business cards, invoices, stationery, and promotional items such as clothing, pens, mugs, etc., which have been approved by Franchisor in accordance with this Agreement, and promptly follow instructions

regarding Franchisor's Marks as provided in the Manuals and otherwise given by Franchisor from time to time.

7.7 Franchisee agrees to safeguard and maintain the reputation and prestige of Franchisor's Marks and will not do anything that would tarnish the image of or adversely affect the value, reputation or goodwill associated with Franchisor's Marks. Franchisee will never attempt to dilute, directly or indirectly, the value of the goodwill attached to the Marks, nor to counsel, procure, or assist anyone else to do the same.

7.8 Franchisor may decide, in its sole and absolute discretion, to apply to register or to register any trademarks with respect to the System Restaurant and any other products and services. Failure of Franchisor to obtain or maintain in effect any such application or registration is not a breach of this Agreement. Franchisee will not, before or after termination or expiration of the Agreement, register or apply to register any of Franchisor's Marks, or any trademark or logo confusingly similar thereto, anywhere in the world.

7.9 Franchisee should mark Franchisor's Marks with a superscript "®" or "™" unless and until advised by Franchisor to use a different notice.

7.10 If, in Franchisor's reasonable determination, the use of a Franchisor's Mark in connection with the System Restaurant and other products and services will infringe or potentially infringe upon the rights of any third party or weakens or impairs Franchisor's rights in Franchisor's Marks, then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in accordance with Franchisor's instructions, and Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof.

7.11 Franchisee will not use any materials that are false or misleading.

7.12 Franchisee will ensure that all advertising, marketing, labeling, packaging and other materials associated with the System Restaurant and other products and services fully conform to all applicable laws and regulations.

7.13 Franchisee will conduct its business operations in accordance with all applicable laws and regulations, including but not limited to, consumer protection laws and regulations.

7.14 Franchisee will control the quality of the System Restaurant and other products and services to avoid product quality problems or product liability claims that could reflect adversely on Franchisee or Franchisor in the minds of consumers.

7.15 Franchisee shall not use any Franchisor's Mark or portion of any Franchisor's Mark as part of a corporate, entity or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form.

Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or under applicable law.

7.16 In order to preserve the validity and integrity of Franchisor's Marks and Copyrighted Materials licensed herein and to assure that Franchisee is properly employing the same in the operation of its Business, Franchisor or its agents shall have the right of entry and inspection of Franchisee's System Restaurant and operating procedures at all reasonable times. Franchisor shall have the right to observe the manner in which Franchisee is rendering its services and conducting its operations, to confer with Franchisee's employees and customers, and to select business reports for testing of content and evaluation purposes to make certain that all such tested items are satisfactory and meet the quality control provisions and standards established by Franchisor.

7.17 If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor to modify or discontinue use of any Franchisor's Mark, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within a reasonable time after notice to Franchisee by Franchisor. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Franchisor's Marks.

7.18 Any unauthorized use of Franchisor's Marks by Franchisee constitutes a breach of this Agreement and an infringement of the rights of Franchisor and in and to Franchisor's Marks.

7.19 Franchisee acknowledges that all usage of Franchisor's Marks by Franchisee and any goodwill established by Franchisee's use of Franchisor's Marks shall inure to the exclusive benefit of Franchisor, and that this Agreement does not confer any goodwill or other interests in Franchisor's Marks upon expiration or termination.

7.20 In the event Franchisee acquires, as a result of the exercise of any rights provided under this Agreement, any rights in Franchisor's Marks, it agrees to assign and hereby assigns all such rights to Franchisor.

7.21 Franchisee shall promptly notify Franchisor of any claim, demand, or cause of action based upon or arising from any attempt by any other person, firm or corporation to use Franchisor's Marks or any colorable imitation thereof. Franchisee shall also notify Franchisor of any action, claim or demand against Franchisee relating to Franchisor's Marks within ten (10) days after Franchisee receives notice of said action, claim, or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to Franchisor's Marks, Franchisor shall have the sole right, but not the duty, to defend any such action. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of Franchisor's Marks and shall exercise such right in the sole discretion of Franchisor.

Franchisor shall control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to Franchisor's Marks or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel, to carry out such defense or prosecution. At Franchisor's option, Franchisee will join in any action, in which case Franchisor shall bear all the out-of-pocket costs of Franchisee for such participation. Both parties shall make every effort consistent with the foregoing to protect, maintain, and promote Franchisor's Marks as identifying the System Restaurant. Franchisor makes no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of Franchisor's Marks.

7.22 All provisions of this Agreement applicable to Franchisor's Marks apply to any and all additional trademarks, service marks and commercial symbols authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

7.23 Franchisee will make no use of the Copyrighted Materials (defined below) without the prior approval of Franchisor, this Agreement itself not constituting such approval. To maintain and enhance the rights in the Copyrighted Materials, Franchisee will conduct its business in accordance with this Agreement and specifically with the provisions of this Section 7.

7.24 Franchisee agrees that all material, including but not limited to, all recipes, artwork, writings, posters, pictures, images and designs, created by Franchisee or any other person or entity retained or employed by Franchisee, and used with Franchisor's Marks ("Copyrighted Materials") are works made for hire within the meaning of the United States Copyright Act and are the property of the Franchisor, who shall be entitled to use and license others to use the Copyrighted Materials subject to the provisions of this Agreement unencumbered by moral rights. To the extent the Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials do not automatically accrue to the Franchisor, Franchisee irrevocably assigns and agrees to assign to the Franchisor, its successors and all rights, including all copyrights and related rights, in such Copyrighted Materials, which the Franchisee and the author of such Copyrighted Materials warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Materials from the author or third parties to copyright owner, its successors, and assigns that may be acquired.

7.25 Franchisee agrees to safeguard and maintain the value of the Copyrighted Materials and will not do anything that would adversely affect the value of the Copyrighted Materials. Franchisee will never attempt to dilute, directly or indirectly, the value attached to the Copyrighted Materials, nor to counsel, procure, or assist anyone else to do the same.

7.26 The Franchisor may decide, in its sole and absolute discretion, to apply to register or to register any Copyrighted Materials with respect to the Products or any other products or services. Failure of the Franchisor to obtain or maintain in effect any

such application or registration is not a breach of this Agreement. Franchisee will not, before or after termination or expiration of the Agreement, register or apply to register any of the Copyrighted Materials, or any Copyrighted Materials or logo substantially similar thereto, anywhere in the world.

7.27 If, in Franchisor's reasonable determination, the use of Copyrighted Materials in connection with the Services and products will infringe or potentially infringe upon the rights of any third party or weakens or impairs Franchisor's rights in the Copyrighted Materials, then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in accordance with Franchisor's instructions, and Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof.

7.28 Franchisee further agrees that it will notify Franchisor promptly in writing of any and all ideas, inventions, discoveries and improvements, including without limitation, recipes, methods and procedures (for the purposes of this paragraph, "Improvements"), whether patentable or not, which are made, discovered, or conceived either solely by Franchisee or jointly with others, based on his/her/their knowledge or information obtained from the Franchisor, in connection with the System Restaurant whenever or wherever such Improvements were conceived, and Franchisee will assign all right, title and interest to them to the Franchisor. Franchisee will assign to the Franchisor all interest in any patents, patent applications or other intellectual property rights relating to such Improvements and will assist the Franchisor in obtaining, maintaining, and prosecuting such patents, patent applications and intellectual property rights. Franchisee will assign and does hereby assign to the Franchisor all such Improvements (including, but not limited to all patent rights, copyrights, and rights of authorship therein), free and clear of any liens, claims or encumbrances. Franchisee shall take all steps both during and after the term of this Agreement that may be necessary in order to effectuate the assignment to the Franchisor or to enforce any patents, copyrights or any proprietary rights relating to the Improvements and Franchisee will execute all documents necessary to give to the Franchisor full legal ownership to such Improvements. Franchisee irrevocably designates and appoints the Franchisor and its duly authorized officers and agents as its agent and attorney in fact to act for and on Franchisee's behalf and stead, to execute and file any application, assignment or other document and to do all other lawfully permitted acts to further the assignment, prosecution and/or issuance of a patent, copyright, mask work and/or trademark with respect to the Improvements and/or other works created by Franchisee with the same legal force and effect as if executed and filed by Franchisee.

7.29 The license and related rights to use the System, the Manuals, designated and approved Franchisor's Marks and any other proprietary items licensed by this Agreement are applicable only with respect to Operator's System Restaurant at the Location, and not elsewhere, except in the event of a relocation approved in writing by Franchisor. This Agreement does not authorize the use of mobile vending vehicles, carts, kiosks or any other non-traditional delivery systems.

7.30 Operator shall not interfere in any manner with, or attempt to prohibit, the use of Franchisor's Marks by any other licensee of Franchisor or in connection with any L & L Franchise System Restaurant authorized or branded products or operations.

7.31 Franchisor may, from time to time, in Franchisor's sole discretion, obtain additional trademark and/or service mark rights in words and/or designs. In the event of any of these occurrences, Franchisor may license Operator to use those trademarks or service marks by giving written notification to Operator that such marks now form part of Franchisor's Marks.

The term of such license will be coextensive with the term of this Agreement or as otherwise established by Franchisor, and will be subject to all restrictions with respect to the use of those rights as set forth in this Agreement and in the notice granting Operator the license.

7.32 Operator shall not utilize the letters, term or mark "L & L" or "Hawaiian Barbecue" or similar names or marks in its corporate, partnership and/or limited liability entity name or in its internet, website or e-mail addresses.

ARTICLE 8. DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS

Operator understands and acknowledges that the serving of inferior, inconsistent and/or non-conforming products under the L & L Franchise System Restaurant name or any of the Franchisor's trademarks can have a detrimental impact on the L & L Franchise System Restaurant name and goodwill, devalue the Franchisor's trademark(s) and subject Franchisor to a loss of business which is not readily determinable and constitutes irreparable harm. Operator agrees to use only Franchisor's approved mayonnaise, sauces, spices, recipes, ingredients, raw materials and products and portion control formulas in the preparation of Authorized Products. Operator further agrees to only buy Raw Materials, as defined below, manufactured in accordance with Franchisor's specifications from approved manufacturers, distributed by approved distributors, and sold to Operator (See Exhibit G).

8.1 DEFINITIONS.

8.1.1 For the purpose of this Agreement, "distributor" is defined as any entity, except a manufacturer, that directly or indirectly delivers raw materials to the Operator. A "manufacturer" is defined as the entity that manufactures and/or sells the raw materials to a distributor. Raw Materials mean all of the products purchased from distributors, and/or manufactured or sold by manufacturers or production entities which are used in the creation of Authorized Products. Raw Materials include, but are not limited to printed paper goods, precut and/or premarinated meats (cooked and uncooked), produce, seafood, bakery products, beverages, grocery items, clothing, processed foods, dressings, desserts, seasonings, spices, condiments, sauces, frozen entrees, prepared entrees, packaged entrees, frozen meals, prepared meals, packaged

meals and such other items as designated by Franchisor as Raw Materials (collectively, the “Raw Materials”) (See Exhibit G). “Authorized” means approved by Franchisor in accordance with the procedures established in this Agreement.

8.2 DISTRIBUTORS.

8.2.1 Operator acknowledges that it is generally unrealistic from a cost and service basis to have more than one distributor in the market area of Operator’s System Restaurant, and that to obtain the lowest-distribution costs, all regional operators should only purchase from one authorized L & L Franchise System Restaurant distributor. Operator agrees to only purchase all equipment, supplies, Raw Materials and other products and materials necessary for the operation of its System Restaurant solely from Authorized distributors (See Exhibit G), and other authorized sources who demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor’s then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Operator and all other System operators needs promptly and reliably; who demonstrate the ability and willingness to work with Franchisor to provide the assistance needed by the those operators in the region and all other System Operators; who agree to distribute all authorized L & L Franchise System Restaurant products; who comply with Franchisor’s reasonable requirements; and who have been approved in writing by Franchisor and not thereafter disapproved.

8.2.2 If Operator desires to purchase any items from an unapproved distributor, whom Operator desires to become an Authorized distributor, Operator shall first submit a written request, in duplicate, for such approval to Franchisor, addressed to President, L & L Franchise, Inc., 2138 Algaroba Street, Honolulu, Hawaii 96826, accompanied by a similar written request for approval from the proposed distributor. Franchisor shall have the right to require that the proposed distributor provide reasonable financial, operational and economic information regarding its business and that Franchisor’s representatives be permitted to inspect the proposed distributor’s facilities and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other system restaurants. The proposed distributor shall pay to Franchisor in advance all of Franchisor’s reasonable costs incurred in review of the application of the distributor to service the Operator as well as all current and future reasonable costs related to inspecting and reinspecting the distributor’s facilities, equipment and Raw Materials in the distributor’s possession at any time. Franchisor may revoke its approval upon the distributor’s failure to continue to meet any of Franchisor’s criteria. Nothing in this article shall require Franchisor to approve any distributor. Upon the receipt by Franchisor of Operator’s and the proposed distributor’s request for approval in full compliance of this article and the completion of all of the inspections needed by Franchisor to evaluate the distributor, Franchisor will notify Operator of its decision within ninety (90) days after the receipt of a completed request for approval or the completion of inspections (if required). In the event an alternate approved distributor to the recommended distributor is used by Operator, as a condition thereof Operator and all other operators shall authorize the alternate distributor to provide to Franchisor duplicate purchase invoices for Franchisor’s records and inspection purposes and to otherwise comply with Franchisor’s reasonable requests.

8.3 MANUFACTURERS.

8.3.1 The parties agree that Franchisor's product specifications and portion control system are highly confidential information and are trade secrets of Franchisor. In order to (i) achieve appropriate pricing, (ii) obtain the L & L Franchise System Restaurant authorized Raw Materials for Operator and all of Franchisor's System Restaurants, and (iii) establish consistent uniformity of L & L Franchise System Restaurant products, Operator acknowledges that purchasing by all System or regional operators from approved manufacturers is a necessity. Because of the importance of quality and uniformity of product and the significance of product specifications and portion control in the preparation of Authorized Products to achieve and maintain such quality and uniformity, it is to the mutual benefit of the parties that Franchisor closely control the production and distribution of the Raw Materials used to produce authorized products sold by Operator. Similar considerations may also apply to other products, which Franchisor may develop in the future. Operator therefore agrees to purchase only Raw Materials manufactured in accordance with Franchisor's specifications and quality standards by approved manufacturers who demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to meet the needs of Operator and all other System Operators in a given region or territory promptly and reliably; who demonstrate the ability and willingness to work with Franchisor and to provide the assistance needed by the L & L Franchise System Restaurant and who have been approved in writing by Franchisor and not thereafter disapproved.

8.3.2 If Operator desires to purchase any items from an unapproved manufacturer, who Operator desires to become an Authorized manufacturer, Operator shall first submit a written request, in duplicate, for such approval to Franchisor, addressed to President, L & L Franchise, Inc., 2138 Algaroba Street, Honolulu, Hawaii 96826, accompanied by a similar written request for approval from the proposed manufacturer. Franchisor shall have the right to require that the proposed manufacturer provide reasonable financial, operational and economic information regarding its business and that Franchisor's representatives be permitted to inspect the proposed distributor's facilities and establish economic terms, delivery, service and other requirements consistent with other with other manufacturing relationships for other system restaurants. The proposed manufacturer shall pay to Franchisor in advance all of Franchisor's reasonable costs incurred in review of the application of the manufacturer to service the Operator as well as all current and future reasonable costs related to inspecting and reinspecting the manufacturer's facilities, equipment and Raw Materials at any time. Franchisor may revoke its approval upon the manufacturer's failure to continue to meet any of Franchisor's criteria. Nothing in this article shall require Franchisor to approve any manufacturer. Upon the receipt by Franchisor of Operator and the proposed manufacturer's request for approval in full compliance of this article and the completion of all of the inspections needed by Franchisor to evaluate the manufacturer, Franchisor will notify Operator of its decision within 90 days after completion of such application and inspections. If an alternate approved manufacturer

to the recommended manufacturer is used by Operator, as a condition thereof Operator and all other operators shall authorize the alternate manufacturer to provide to Franchisor duplicate purchase invoices for Franchisor's records and inspection purposes and to otherwise comply with Franchisor's reasonable requests.

8.3.3 Franchisor reserves the right in its sole discretion to add, delete and/or change authorized products and/or raw materials for use by Operator.

8.4 PURCHASE OBLIGATIONS.

Operator agrees to purchase any and all items that Franchisor designates from the approved distributor and manufacturer designated by Franchisor including, but not limited to, the following:

8.4.1 all L & L Franchise System Restaurant products that bear Franchisor's Mark. Operator agrees to cooperate with Franchisor with respect to the purchase, display and sale of any Authorized Products authorized for sale by Franchisor. Operator consents to the receipt by Franchisor of licensing fees from manufacturers who manufacture Authorized Products, which fees compensate Franchisor for such use of Franchisor's Marks.

8.4.2 L & L Franchise System Restaurant standard exterior and interior signs; These signs require the prior fabrication of sign molds or advance production in quantity to be either affordable or promptly available. If Franchisor has entered into an agreement with approved sign manufacturer(s), granting rights to use Franchisor's Marks in connection with the signs and to sell such signs to L & L Franchise System Restaurant operators, Operator agrees to purchase its signs from the authorized sign manufacturer(s). Operator shall obtain and use only building storefront signs, lighted or digital animated menu boards and menu board images and pictures from sign manufacturing vendor approved in writing by Franchisor. All such signage and menu boards must be of style, design, look and appearance approved in writing by Franchisor.

8.4.3 Pepsi-Cola fountain service products: Franchisor has entered into an exclusive agreement with the Pepsi-Cola Company to be the only approved fountain service beverage supplier to the L & L Franchise System Restaurant. Operator agrees to only use the fountain service Pepsi-Cola products authorized by Franchisor and no other beverages, unless replacement or additional beverages are approved in writing by Franchisor.

Franchisor reserves the right in its sole discretion to add or change fountain service beverage supplier(s) for Operators and Locations in the L & L Franchise System Restaurant.

8.4.4 Operator agrees that at such times that Franchisor establishes a regional or national purchasing program for any of the Raw Materials, which may benefit Operator by reduced price, lower labor costs, production of improved Authorized

Product(s), increased reliability in supply, improved distribution, Raw Material cost control (establishment of consistent pricing for reasonable periods to avoid market fluctuations), improved operations by Operator or other tangible benefits to Operator, Operator will participate in such purchasing program in accordance with the terms of such program.

8.4.5 If and when, and as Franchisor establishes or identifies distributor(s) or manufacturer(s) of pre-seasoned, pre-cut, pre-marinated and/or pre-prepared food products, sauces, seasonings, dips, marinades or raw materials for preparation and/or sale in L & L Franchise System Restaurant, Operator shall purchase and shall exclusively use such food products and raw materials in the L & L Franchise System Restaurant.

ARTICLE 9. CONTINUING FRANCHISE FEES, REPORTS, BOOKS AND RECORDS

9.1 CONTINUING FRANCHISE FEES.

9.1.1 Operator shall pay to Franchisor monthly by the tenth (10th) of each month the following amount as a continuing franchise fee or royalty fee: (a) if Operator's System Restaurant is located on the West Coast of the continental United States, as designated by Franchisor, the continuing franchise fee shall be equal to three percent (3%) of Net Sales, (b) if Operator's System Restaurant is located east of Texas in the continental United States, as designated by Franchisor, the continuing franchise fee shall be equal to four percent (4%) of Net Sales, and (c) if Operator's System Restaurant is located in Hawaii, the continuing franchise fee shall be equal to two percent (2%) of Net Sales. In the event there is an express mutual written agreement between Franchisor and Operator for the renewal or extension of the term of this Agreement, the continuing franchise fee shall be subject to increase. Franchise operators who became Franchisee operators under earlier versions of franchise agreements were afforded a different initial and/or continuing franchise fee.

In the event Operator enters into Franchise Agreement to operate more than one System Restaurant, Operator shall pay Franchisor such continuing franchise fees for each System Restaurant.

9.1.2 At Franchisor's request, Operator shall promptly execute or re-execute within five (5) days after Franchisor's request, and deliver to Franchisor appropriate pre-authorized check forms or such other instruments or drafts required by Franchisor's bank, payable against Operator's bank account, to enable Franchisor to electronically (draft on Operator's account by electronic withdrawal), collect the continuing franchise fees and Advertising Fee payable under the terms of this Agreement. Franchisee acknowledges and agrees that Franchisor shall have independent access to its POS System. In addition, at Franchisor's request, Operator shall immediately perform such acts as to enable Franchisor or its designee to access, receive and copy any and all information regarding Operator's "Net Sales" as defined in this Agreement and/or to connect its computers to Operator's computer(s) or Operator's POS System so that

Franchisor or its designee may electronically obtain statistical information regarding Operator's business activities that Franchisor may in its sole discretion seek to obtain. Operator agrees to not disconnect Franchisor or its designee from such connection or phone line at any time, for any reason, without Franchisor's prior written approval. Operator specifically authorizes Franchisor to either "upload" or "download" information in and from or to its computers, cash registers or other such devices as allowed by law, as it relates to the System Operation by internet, intranet and other networks or other means as they become available.

9.1.3 Operator shall report its Net Sales the tenth (10th) of each month or at such other times as established by Franchisor in its sole discretion. If Operator fails to report its sales on a timely basis, Franchisor may estimate the amount of Operator's sales. Franchisor will then deposit or transfer the reported, or in the absence of a report, the estimated, amounts due into its own account, using the System Operator's pre-authorized checks or other instruments. If any draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then Operator shall pay Franchisor's expenses arising from such non-payment, including bank fees in the amount of at least fifty dollars (\$50.00), hourly staff charges arising from such default, and any other related expenses incurred by Franchisor. By the tenth (10th) day of each month Operator shall pay to Franchisor any sums unpaid for the prior month to adjust for sales owed for any partial month or sales that were unpaid, improperly recorded or not credited on Operator's books and records. Operator hereby agrees to pay any sales, use or other tax now or hereinafter imposed on franchise fees, advertising fees or any additional rental collected under the sublease for the Location, imposed by any Federal, state or local governmental authorities. Franchisor, at its sole discretion, may collect the taxes in the same manner as franchise fees are collected herein and if Franchisor collects such taxes, Franchisor shall promptly pay the tax collections to the appropriate governmental authority.

9.2 REPORTS AND INSPECTION OF RECORDS.

9.2.1 The Franchisee shall keep such complete records of its Restaurant as a prudent and careful businessperson would normally keep. The Franchisee shall keep its financial books and records as the Franchisor may from time to time direct in the Manuals or otherwise, including retention of all invoices, order forms, payroll records, cash register tapes, check records, bank deposit receipts, records of sales, sales tax records, refunds, cash disbursements journals and general ledgers. The Franchisee shall advise the Franchisor of the location of all original documents and shall not destroy any records without the written consent of the Franchisor. The Franchisee shall prepare on a current basis, complete and accurate records concerning all financial, marketing and other operating aspects of the Business conducted under this Agreement. The Franchisee shall maintain an accounting system which accurately reflects all operational aspects of the System Restaurant Business including uniform reports as may be required by the Franchisor. The Franchisee's records shall include tax returns, daily reports, statements of Net Revenues (to be prepared each month for the preceding month), profit and loss statements and balance sheets (to be prepared at least annually by an independent Certified Public Accountant, in accordance with generally accepted

accounting principles, and shall provide Operator's sales, expenses and financial status with respect to Operator's System Restaurant. Operator shall submit to Franchisor a copy of the original signed 1120 or 1120S tax form each and every year or any other forms which take the place of the 1120 or 1120S forms. Operator shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate state or local authority. Franchisor reserves the right to require such further information concerning Operator's System Restaurant as Franchisor may from time to time reasonably request.

The Franchisee shall also submit to the Franchisor current financial statements and other reports as the Franchisor may reasonably request. On or before April 30th each year, the Franchisee shall provide the Franchisor with a copy of its federal tax return for the previous tax year and the federal tax returns, bank and investment account records of the owners of the corporation, LLC or partnership that owns this franchise. The Franchisee shall keep the books and records of the Business separate from the records of any unrelated business activity or personal activity.

9.2.2 From the date the Franchisee and the Franchisor sign this Agreement until six (6) years after the end of the Initial Term of this Agreement or as required by law whichever is longer, the Franchisor or Franchisor's authorized agent shall have the right to request, receive, inspect and audit any of the records referred to above wherever they may be located. The Franchisor agrees to do inspections and audits at reasonable times. Upon ten (10) days prior written notice, Franchisor, its agents or representatives may audit Operator's books and records in accordance with generally accepted standards established by certified public accountants. In connection with such audit(s) or other operational visits, Operator agrees to keep its record of sales, cash receipts records, weekly and monthly control forms, accounts payable records including all payments to Operator's suppliers in its System Restaurant or at its business office for six (6) years after their due date or any longer period of time as required by law, which records shall be available for examination by Franchisor or its representative(s), at Franchisor's request. Without any prior written notice, Franchisor, its agents or representatives may inspect Operator's entire System Restaurant and Operator's daily, weekly and monthly statistical information which is required under the Manuals. Operator shall make such Information available for such inspections in recognition that an operational inspection cannot succeed without review of essential statistical information.

9.2.3 If any audit or other investigation reveals any under-reporting, under-recording, or other understatement of Net Sales, such under-reporting, under-recording or understatement constitutes a material breach of the Franchisee Agreement, and Franchisee must immediately pay to Franchisor any fees or other amounts owed, together with interest at the highest rate authorized by the state in which the Restaurant is located. If any audit or other investigation reveals an under-reporting, under-recording, or other understatement of Net Sales of two percent (2%) or more for any calendar month, then in addition to any other sums due, Franchisee must also: (1) reimburse Franchisor for the full reasonable cost of the investigation or audit, including travel, lodging, meals, and wages of its representatives and the legal and accounting

fees of any attorneys or independent accountants Franchisor uses for the examination or audit, and (2) at Franchisor's request, thereafter provide Franchisor with periodic audited financial statements. If the Franchisee's records and procedures are insufficient to permit a proper determination of Net Sales, the Franchisor shall have the right to deliver to the Franchisee an estimate, made by the Franchisor, of Net Sales for the period under consideration and the Franchisee shall immediately pay to the Franchisor any amount shown thereby to be owing on account of the continuing franchise fee and other sums due on account of any understatement. Any such estimate shall be final and binding upon the Franchisee. If Franchisee has understated Net Sales by two percent (2%) or more for three (3) or more months in any twelve-month period (whether consecutive or not), or by five percent (5%) or more for any period of four (or more) consecutive weeks, Franchisor has the right to terminate this Agreement with no opportunity for cure. The foregoing remedies are in addition any other remedies and rights available to Franchisor under this Agreement or applicable law.

9.2.4 Operator agrees to promptly complete and submit records of Net Sales and all forms requested by Franchisor, whether on a daily, weekly or monthly basis. Non-compliance with this obligation constitutes a material violation of this Agreement.

The Franchisee hereby authorizes the Franchisor to make reasonable inquiries of the Franchisee's bank, suppliers and trade creditors concerning the System Restaurant and hereby directs such persons and companies to provide to the Franchisor such information and copies of documents pertaining to the System Restaurant as the Franchisor may request.

ARTICLE 10. COVENANT REGARDING OTHER BUSINESS INTERESTS

10.1 For purposes of this Article only, "Operator" shall mean and include the individual Operator; Operator's spouse, children, and siblings; Operator's shareholders, officers, and directors, and their spouses, children, and siblings, if Operator is a corporation; any one or more partners or participants in Operator, and their spouses, children, and siblings, if Operator is a partnership or joint venture; Operator's members, and their spouses, children, and siblings, if Operator is an LLC; and any others of Operator's owners and their spouses, children, and siblings, if Operator is any type of business entity;

10.2 Operator acknowledges that the L & L Franchise System Restaurant is unique and distinctive and has been developed by Franchisor at great effort, time, and expense, and that Operator has regular and continuing access to valuable trade secrets and other Confidential Information regarding the L & L Franchise System Restaurant. "Confidential Information" means all trade secrets, and other knowledge, know-how, standards, recipes, marketing methods, systems and strategies, operating methods and procedures related to the establishment and operation of an L & L System Restaurant that Operator comes to learn by virtue of its relationship with Franchisor. Operator acknowledges that its entire knowledge of the operation of an L & L Franchise System Restaurant business is derived from Franchisor's Confidential Information. Such

Confidential Information is proprietary, and some of Franchisor's Confidential Information constitutes valuable trade secrets of the Franchisor. Operator recognizes its obligations and agrees to not disclose, share, communicate, or use for any purpose other than operation of an L & L Franchise System Restaurant, such Confidential Information and to keep such Confidential Information strictly confidential.

10.3 Operator further specifically acknowledges and agrees that it will come into possession of certain of Franchisor's trade secrets concerning the manner in which Franchisor conducts business including, but not necessarily limited to: methods of doing business or business processes; strategic business plans; customer lists and information; recipes; product and material sources, marketing and promotional campaigns; software; and other materials clearly marked or labeled as trade secrets. Operator agrees that the foregoing information, which may or may not be considered "trade secrets" under prevailing judicial interpretations or statutes, is private, valuable, and constitutes trade secrets belonging to Franchisor. Operator agrees that Franchisor derives independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper means by, another person. Operator agrees to take reasonable measures to keep such information secret.

10.4 Operator acknowledges and agrees that all of the Confidential Information is the property of the Franchisor and that the Franchisor has the right to use the Confidential Information in any manner it wishes at any time. The Franchisor has the right to contact any and/or all of Franchisee's customers, suppliers and other service providers for quality control, market research and such other purposes as the Franchisor deems appropriate, in its sole and absolute discretion. Operator shall maintain the confidentiality of the Confidential Information and will not use the Confidential Information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining the Franchisor's written consent. Operator acknowledges the Franchisor's Marks and System have valuable goodwill attached to them, that the protection and maintenance thereof is essential to the Franchisor and that any unauthorized use or disclosure of the Franchisor's Marks, the System, or the Confidential Information will result in irreparable harm to the Franchisor.

The Franchisee acknowledges that the Confidential Information is a valuable asset of the Franchisor's, includes trade secrets of the Franchisor and is disclosed to the Franchisee on the condition that the Franchisee, and the Franchisee's owners and employees who have access to the Confidential Information agree that during and after the Initial Term of the applicable agreement they: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (4) will adopt and implement all reasonable procedures the Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information including requiring third parties to execute nondisclosure and noncompetition agreements. Indeed, Franchisee must require any Operator (other than Franchisee), and any other person or entity to whom Franchisee wishes to disclose any Confidential Information, to execute (and deliver to Franchisor upon its request) agreements, in the

form provided in Appendices A and B (as appropriate) to this Agreement or as Franchisor may otherwise require in writing, stating that, among other things, they will maintain the confidentiality of the disclosed Confidential Information. If Franchisee does not obtain execution of the agreements containing the covenants required by this Section 10 and, upon Franchisor's request, deliver those signed agreements to Franchisor, that will constitute a material default under the Franchise Agreement.

The restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information, and knowledge which are or become generally known in the Operation of a restaurant business, other than through disclosure Operator makes (whether deliberate or inadvertent); and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that the Operator is legally compelled to disclose the information, if Operator has notified the Franchisor before disclosure and used the Operator's best efforts, and afforded the Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be disclosed. In addition, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, pursuant to the Defend Trade Secrets Act.

10.4.1 During the term of this Agreement, except with Franchisor's prior written consent, Operator shall not, in any capacity whatsoever, either directly or indirectly, individually or as a member of any business organization, (a) engage in the production or sale at retail of any food product called or designated as "Hawaiian" food and/or barbecued meat and/or chicken katsu and/or breaded cutlet of chicken or meat and/or spam musubi and/or chicken musubi, kalua style or smoke flavored meat, lau lau and/or plate lunches with scoop(s) of rice and/or macaroni salad, and/or have any employment or interest in any firm engaged in the production or sale at retail or wholesale of any such products unless Franchisor gives its prior written consent; (b) own, manage, engage in, be employed by, advise, make loans to, consult for, rent or lease to, or have any other interest in any business that operates, or grants franchises or licenses to operate, a restaurant, or a similar business that offers products or services substantially similar to those then offered by System Restaurants (a "Competitive Business"). Operator further agrees that it shall not divert or attempt to divert any business or customer, or potential business or customer, to any Competitive Business, and it shall not in any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize Franchisor's business or that of Franchisor's affiliates or any of its franchisees.

10.4.2 Upon the termination, expiration or nonrenewal of this Agreement for any reason, or if Operator assigns or transfers its interest herein to any person or business entity, or if any person identified in the first paragraph of this Article terminates his, her or its relationship with Operator, then for a period of twenty-four (24) months thereafter such Operator shall not within five (5) miles of the Location or any L & L Franchise System Restaurant, in any capacity whatsoever, either directly or indirectly, individually or as a member of any business organization, (a) engage in the production or sale at retail of any food product called or designated as "Hawaiian" food and/or barbecued meat and/or chicken katsu and/or breaded cutlet of chicken or meat and/or spam

musubi and/or chicken musubi, kalua style or smoke flavored meat, lau lau and/or plate lunches with scoop(s) of rice and/or macaroni salad, and/or have any employment or interest in any firm engaged in the production or sale at retail or wholesale of any such products unless Franchisor gives its prior written consent; or (b) own, manage, engage in, be employed by, advise, make loans to, consult for, rent or lease to, or have any other interest in a "Competitive Business." **If Operator violates the terms of this paragraph, Operator shall pay to Franchisor, as liquidated damages, an amount equal to ten thousand dollars (\$10,000) per month for each month this covenant is violated, plus eight percent (8%) of the Net Sales achieved at the site during the continuation of such violation. Operator further agrees to pay all court costs and reasonable attorneys' fees Franchisor incurs in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 10.** OPERATOR EXPRESSLY ACKNOWLEDGES THAT IT POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE OPERATOR OF THE ABILITY TO EARN A LIVING.

10.4.3 In the event any portion of the above covenants violates laws affecting Operator, or is held invalid or unenforceable in a final judgment to which Franchisor and Operator are parties, then the maximum legally allowable restriction permitted by law shall control and bind Operator. The parties have attempted in Section 10.4.2 above to limit Operator's right to compete only to the extent necessary to protect the Franchisor from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Section 10.4.2 is disputed at any time by the Operator, a court or arbitrator, as the case may be, may modify Section 10.4.2 to the extent that it deems necessary to make such provision enforceable under applicable law. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Operator shall comply with any such reduced covenant upon receipt of written notice. Operator agrees that the length of time in this Section 10 will be tolled for any period during which Operator is in breach of the covenants set forth in this Section 10, or any other period during which Franchisor seeks to enforce this Agreement.

10.5 Further, Franchisee hereby agrees that, regardless of whether the covenants contained in this Agreement are found to be enforceable or not, any operation by Franchisee of a Competitive Business shall be deemed by any court, arbitrator, or other fact finder to be dispositive evidence that Franchisee has used Franchisor's Confidential Information in violation of this Agreement.

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

ARTICLE 11.
INTERFERENCE WITH EMPLOYMENT RELATIONS

Franchisee agrees that in the conduct of its business and operations as a L & L Franchise System Restaurant it will strive to avoid interference with employment relations in accordance with applicable laws and legal principles.

ARTICLE 12.
RIDER, SALESPERSONS

Inasmuch as this Agreement has not been executed by the Operator at the office of Franchisor, Franchisor requires certain assurances that this Agreement has been sold in accordance with applicable laws, rules and regulations. Accordingly, in order to induce Franchisor to execute this Agreement, and to the extent permitted by applicable law, Operator confirms to Franchisor and, if so requested by Franchisor, Operator agrees to execute a Rider/Questionnaire to this agreement that acknowledges that Franchisor is relying upon the acknowledgments, representations and commitments of Operator that, other than the person signing this Franchise Agreement on behalf of Franchisor, no other salesman, staff member, entity, or associate of Franchisor has met Operator regarding this franchise sale or the offer and acceptance thereof other than those set forth therein. If a rider is provided, the rider shall identify all sales persons involved in the sales, negotiation and execution of this Agreement and shall identify the franchisor. Franchisor shall be entitled to rely on Operator's confirmation herein and/or the Rider/Questionnaire, and Operator shall be bound by its contents.

ARTICLE 13.
LOCAL RESTAURANT MARKETING IN THE MANUALS

Operator acknowledges that Franchisor's Manuals and other marketing and advertising material may emphasize the implementation of marketing efforts within a certain radius of Operator's System Restaurant. Such references, suggestions and emphasis do not directly or indirectly grant to Operator a protected market or other exclusive right within such marketing area, but rather reflects the reality that Operator's local marketing activities should initially be commenced in the area immediately adjacent to its System Restaurant and that such marketing activities may be in competition with the marketing activities of other L & L Franchise System Restaurant operators.

ARTICLE 14.
NATURE OF INTEREST AND TRANSFER

14.1 GENERAL PROVISIONS.

14.1.1 This Agreement shall inure to the benefit of the successors and assigns of Franchisor. Franchisor shall have the right to merge with or be acquired by and/or to transfer or assign this Agreement to any person or legal entity. Franchisor shall have no

liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment.

14.1.2 The rights and duties created by this Agreement are personal to Operator. Accordingly, except as otherwise permitted herein, neither Operator nor any person with an interest in Operator shall, without Franchisor's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement or, if Operator is a partnership, joint venture, LLC (limited liability company) or corporation, any shares of stock, partnership interest, equity interest, direct or indirect interest in Operator. Any such purported transfer occurring by operation of law or otherwise without Franchisor's prior written consent shall constitute a default of this Agreement by Operator, and shall be null and void. This provision may not be enforceable under the federal bankruptcy law, 11 U.S.C.A. Section 101 et seq. Except in the instance of Operator advertising to sell its System Restaurant pursuant to the terms hereof, Operator shall not, without Franchisor's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior decor items, supplies, fixtures, equipment, Operator's lease or the real or personal property used in connection with Operator's System Restaurant.

14.1.3 In the event Operator, if Operator is an individual, or any person with an interest in Operator wishes to, directly or indirectly, sell, assign, transfer, convey and/or give away any direct or indirect interest in this Agreement or if operator is a partnership, joint venture, LLC or corporation, any shares of stock, partnership interest, equity, interest, direct or indirect interest in Operator and/or if such operator or person with an interest in Operator receives a bona fide offer to purchase from another person, party or entity to purchase or acquire any interest in this Agreement or any interest in Operator, such Operator or person with an interest in Operator shall first give written notice to Franchisor by certified or registered mail stating the terms and conditions of any proposed sale, assignment, transfer, conveyance or gift. Upon receipt of such notice by Franchisor, it shall have the first right, privilege and option to purchase such interest from the seller, assignor or transferor upon any of the following terms and conditions at Franchisor's sole election and discretion: (1) the same terms and conditions of the proposed sale, assignment, transfer, conveyance or gift or (2) at a price determined by taking thirty percent (30%) of the average of Operator's annual Net Sales for the three (3) full calendar years preceding the date of the proposed sale, assignment, transfer, conveyance or gift multiplied by the percentage interest being sold, assigned, transferred, conveyed or gifted, whichever is lower. Franchisor's option to purchase or exercise its right of first refusal may be exercised by Franchisor providing notice in writing to the seller, assignor or transferor within ninety (90) days after Franchisor's receipt of written notice from the seller, assignor or transferor.

If Franchisor does not purchase all of stock, partnership interest, equity interest or direct or indirect interest in this Agreement or in Operator, under the option given and granted Franchisor by this section, the seller, assignor or transferor may sell or dispose of the same, or so much thereof as shall not to have been so purchased, to the person

or persons named in the aforementioned notice; provided, however, that they shall not sell or dispose of such interest (a) at a lower price or on more favorable terms to the purchaser or transferee than the price and the terms set forth in such bona fide offer to purchase, or (b) in a greater quantity than that offered to Franchisor. If the seller, assignor or transferor does not, within ninety (90) days after termination of the last of the options hereinabove granted to the Franchisor, sell or dispose of the interest so designated for sale or disposition, then such proceedings for sale, transfer or attempted sale shall thereupon terminate, and the foregoing right of the seller, assignor or transferor to sell or dispose of such interest to others shall likewise terminate; thereafter, such seller, assignor or transferor shall again give the same notice and Franchisor shall again have the same rights, privileges and options, all as hereinabove provided.

Any persons acquiring an interest in this Agreement or in Operator shall acquire such interest subject to all the terms, conditions and restrictions contained in this Agreement.

14.2 CONSENT TO TRANSFER.

For all proposed transfers or assignments of this Agreement by Operator or transfers of more than twenty percent (20%) of the outstanding and issued stock partnership or equity interest of Operator by one or more transfers or any transfer which, directly or indirectly, effectively changes management control of Operator, Franchisee shall provide written notice to Franchisor not less than thirty (30) days prior to any proposed transfer, and shall obtain Franchisor's consent before completing such transfer. Franchisor will not unreasonably withhold its consent to any transfer or assignment which is subject to the restrictions of this Article, provided however, Franchisor shall not be required to give its consent unless all of the following conditions are met prior to the effective date of assignment:

14.2.1 All transfer or assignments shall be processed through an independent escrow company unless waived by Franchisor.

14.2.2 Upon the execution of this Agreement and upon each direct or indirect transfer of an interest in this Agreement or in Operator and at any other time upon Franchisor's request, Operator shall, within five (5) days prior to such transfer or at any other time at Franchisor's request, furnish Franchisor with the following: (a) a general release (in a form prescribed by Franchisor) in favor of Franchisor releasing Franchisor and its owners, affiliates, and employees from any claims arising during the term of this Agreement; and (b) an estoppel agreement indicating any and all causes of action, if any, that Operator may have against Franchisor or if none exist and a list of all shareholders or partners having an interest in this Agreement or in Operator, the percentage interest of each shareholder or partner, and a list of all officers and directors, in such form as Franchisor may require.

14.2.3 The Operator is not in default under the terms of this Agreement, the Manuals or any other obligations owed Franchisor, and all of its then-due monetary obligations to Franchisor have been paid in full.

14.2.5 The transferee/assignee has demonstrated to Franchisor's satisfaction that it meets all of Franchisor's then-current requirements for new operators or for holders of an interest in a franchise, including, without limitation, possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, and the ability to fully comply with the terms of this Agreement.

14.2.6 The transferee/assignee has assumed this Agreement by a written assumption agreement approved by Franchisor, or has agreed to do so at closing, and at closing executes an assumption agreement approved by Franchisor.

14.2.7 The transferee/assignee, its manager and other designated trainees have satisfactorily completed Franchisor's training program.

14.2.8 The transferee/assignee executes such other documents as Franchisor may require, including a new franchise agreement in the then-current franchise agreement form used by Franchisor, if so designated by Franchisor. Franchisee and all owners, personnel, and other personnel that Franchisor designates shall also execute Franchisor's then-current confidentiality and non-competition agreements. (The current forms of such agreements are attached hereto as Appendices A and B).

14.2.9 Prior to the completion of Operator's sale transaction, Operator shall pay to Franchisor an administrative/transfer fee of seven thousand five hundred dollars (\$7,500.00) or in the event of a non-sale management transfer, Operator shall pay to Franchisor a fee of three thousand dollars (\$3,000) to cover Franchisor's training expenses.

14.2.10 Operator's rights may pass to Operator's next of kin or legatee if they assume Operator's obligations and attend and complete Franchisor's training program. Upon Operator's disability, Operator may sell the franchise or keep it, if operated by trained personnel.

14.2.11 Franchisor's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise and the transferring party and/or individuals shall remain obligated and liable to Franchisor for all of Operator's and Guarantor's obligations under this Agreement and any Guarantys given to Franchisor.

14.2.12 If Operator is an individual, Franchisor hereby consents to the assignment of this Agreement and any and all obligations referable thereto to a corporation or limited liability company principally owned by Operator within ninety (90) days from the date hereof. Upon such assignment and assumption by the corporation along with delivery of executed originals of same to Franchisor, an individual Operator shall not be released from any and all personal liability. The administrative/transfer fee for any assignment under this Section 14.2.12 shall be one thousand dollars (\$1,000).

14.3 TRANSFEROR OBLIGATION TO PROVIDE TRANSITION ASSISTANCE.

In the event Operator or any person with an interest in Operator wishes to directly or indirectly, sell, assign, transfer, convey and/or give away any direct or indirect interest in this Agreement or in any stock, partnership interest, equity, direct or indirect interest in Operator which, directly or indirectly, effectively changes management control of Operator, the transferor of such interest shall be required, as a condition of any such proposed transfer, to provide to the proposed transferee or assignee training, consultation and assistance for a minimum period of six (6) weeks to facilitate the transition of ownership, management and control of the franchise agreement.

ARTICLE 15. TERM, DEFAULT AND TERMINATION

15.1 TERM.

15.1.1 Provided Operator is not in default of the terms and conditions contained in its Location lease and this Agreement shall continue for a period of ten (10) years.

15.1.2 Provided that Franchisee shall have complied with all the terms of this Agreement, and subject to fulfillment of the conditions in Section 15.1.3 below, Franchisor and Franchisee shall negotiate whether the parties wish to extend or renew the franchise granted pursuant to this Agreement for a term mutually agreed upon and subject to availability of an extension of any lease for a Restaurant premises.

15.1.3 As conditions to renewal, Franchisee must:

- a. provide Franchisor written notice (“Renewal Notice”) of Franchisee’s intent to renew this franchise not less than six (6) months nor more than thirteen (13) months prior to the end of this Agreement’s Term;
- b. pay a processing fee of up to one thousand dollars (\$1,000.00) and a renewal fee up to ten thousand dollars (\$10,000.00) (the “Renewal Fee”) not later than six (6) months prior to the end of the Term.
- c. execute the then-current franchise agreement and all other documents or instruments required by Franchisor in connection therewith including but not limited to personal guarantees (which shall be executed by all owners and their spouses) and confidentiality agreements;
- d. be in compliance with this Agreement, including payment of all fees due, the requirements described in the Manuals, and all other agreements then in effect between Franchisor and Franchisee;
- e. be current with all financial obligations to third parties, including Franchisee’s landlord and other vendors of products or services;

- f. remodel and refurbish the interior and exterior image of Franchisee restaurant as mandated by Franchisor to comply with Franchisor's then-current Manuals;
- g. execute a general release (in a form prescribed by Franchisor) in favor of Franchisor releasing Franchisor and its owners, affiliates, and employees from any claims;
- h. provide Franchisor written confirmation, satisfactory to Franchisor, that Franchisee maintains the right to operate a restaurant at the Location for the ten-(10) year term of the renewal Franchise Agreement;
- i. no later than sixty (60) days prior to the end of this Agreement's term, Franchisee must have purchased, installed, and be using all the equipment (including computers) required, in order to upgrade Franchisee's restaurant to then-current POS hardware, software and any other computer-related systems required for a System Restaurant; and
- j. successfully complete any franchisee training that may be required by Franchisor at Franchisee's sole expense.

15.1.4 Franchisee's right to enter into a renewal Franchise Agreement shall be subject to Franchisee's continuing compliance with all of the provisions of this Agreement up to the date of its expiration/termination.

15.2 DEFAULTS WITHOUT OPPORTUNITY TO CURE.

Operator shall be in default and Franchisor may, upon ten (10) days prior written notice, at its option, terminate this Agreement and all rights granted by it, without affording Operator any opportunity to cure the default, upon the occurrence of any of the following events:

15.2.1 Operator engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Marks, network or System;

15.2.2 Operator sells unauthorized products to the public after notice of default and continues to sell such products whether or not Operator has cured the default after one or more notices;

15.2.3 The conviction of a crime relevant to the franchise, or a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole reasonable opinion of Franchisor, to adversely affect the System, Franchisor's Marks; the goodwill associated with the System; or Franchisor's interest in each of them by Operator's, or its controlling or operating shareholders or members if Operator is a limited liability company, or Operator's partners if Operator is a partnership, excluding non-managing partners;

15.2.4 Operator's disclosure or use of the contents of the Manuals, trade secrets or Confidential Information provided to Operator by Franchisor in violation of this Agreement; or

15.2.5 If Operator repeatedly commits defaults under any provisions of this Agreement three (3) or more months in any twelve (12) month period, or six (6) or more months in any consecutive thirty-six (36) month period, even if Operator cured each such prior default, and even if Operator would otherwise be given an opportunity to cure the current default.

15.2.6 Operator's, without Franchisor's consent, ceasing to operate or otherwise abandoning its System Restaurant or, upon destruction of its System Restaurant, failure to rebuild and resume operation within a reasonable time. For purposes of this article, ceasing to operate or otherwise abandoning its System Restaurant shall include Operator's failure to open its L & L Franchise System Restaurant for business for five (5) consecutive days.

15.2.7 Operator's misuse or unauthorized use of Franchisor's Marks or other impairment of the goodwill associated therewith or Franchisor's rights therein.

15.2.8 Operator's commencement or conducting of any business operation, or marketing of any product, under a name or mark that, in Franchisor's reasonable opinion, is confusingly similar to Franchisor's Marks.

15.2.9 Further, if during the period in which the franchise is in effect, there occurs any of the following events, immediate notice of termination without an opportunity to cure, shall be deemed reasonable:

- a. The Franchisee or the business to which the franchise relates has been the subject of an order for relief in bankruptcy, judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits their inability to pay debts as they come due. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.);
- b. The Franchisor and Franchisee agree in writing to terminate this Agreement;
- c. The Franchisee makes any material misrepresentations relating to the acquisition of the franchise or the Franchisee engages in fraud;
- d. The Franchisee fails, for a period of ten (10) days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

- e. The Franchisee knowingly, intentionally or negligently maintaining false books or records, or submitting any false report or payment to Franchisor;
- f. The Franchisee's conduct of the System Restaurant licensed pursuant to this Agreement, as reasonably determined by the Franchisor, is so contrary to this Agreement, the System and the Manuals as to constitute an imminent danger to the public health or safety;
- g. The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for thirty (30) days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five (5) days of such levy;
- h. The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within a reasonable time after receiving written notice that such fees are overdue;
- i. Franchisee fails to submit reports to Franchisor when due for three (3) consecutive months.
- j. Franchisee fails submit a tax return when due.
- k. Any transfer or attempt to transfer that does not comply with this Agreement.
- l. Franchisee refuses to permit, or tries to hinder, an investigation or audit of Franchisee's books and records or of the Restaurant as provided in this Agreement.
- m. Franchisee understates to Franchisor its Net Sales by two percent (2%) or more on for three or more months in any twelve-month period (whether consecutive or not), or by five percent (5%) or more for any period of four or more consecutive weeks.

15.3 DEFAULTS WITH OPPORTUNITY TO CURE.

15.3.1 Except as otherwise provided in this Agreement, Operator shall have sixty (60) days after Franchisor's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as applicable law may require, Franchisor may, at its option, terminate this Agreement and all rights granted by it, by sending a five (5) day written notice of cancellation of this Agreement to Operator. Upon the expiration of such five (5) day period, this Agreement shall end and expire as if it were the day fixed for termination of this Agreement.

15.3.2 Operator shall be in material default under this Article for any failure to comply with any of the requirements imposed by this Agreement. Such material defaults shall include, without limitation, the occurrence of any of the following events:

15.3.2.1 Operator's failure, refusal, or neglect to promptly pay any monies owed to Franchisor, its subsidiaries or affiliates, when due, or to submit the financial or other information or reports required by Franchisor under this Agreement when due.

15.3.2.2 Operator's failure to maintain the standards specified by Franchisor in the Manuals or otherwise, including, but not limited to, failure to procure and use in connection with the Restaurant the POS System that Franchisor designates.

15.3.2.3 Operator's failure, refusal or neglect to obtain Franchisor's prior written approval or consent as required by this Agreement.

15.3.2.4 Operator's default, without cure after the applicable grace period, under any lease, sublease, sub-sublease, mortgage, or deed of trust covering the Location. Franchisee will, at Franchisor's option, assign to Franchisor any interest which Franchisee has in the lease or sublease for the Location. If Franchisee fails or refuse to cure and default under any such lease or sublease, Franchisor shall have the right to enter the Location, without being guilty of trespass or any other tort, for the purpose for making or causing to be made such changes as may be required, at Franchisee's sole cost and expense, which Franchisee agrees to pay upon demand. In the event Franchisor cures any defaults under Franchisee's lease or sublease for the Location, Franchisor will be entitled to recover from Franchisee any amounts Franchisor pays to the lessor or sublessor to cure such defaults (including interest) and Franchisor's reasonable collection costs, including reasonable attorneys' fees and expenses.

15.3.2.5 Operator's failure to procure or maintain the insurance required by Franchisor or in the lease for the Location.

15.3.2.6 Operator's default in the performance of any term, condition or obligation in payment of any indebtedness to its landlord, distributors or suppliers or others arising out of the purchase of inventory, supplies or purchase or lease of equipment for operation of its System Restaurant, and if any such default is not cured within thirty (30) days after written notice by Franchisor to Operator, unless Operator is determined by an arbitrator or a court of competent jurisdiction to be not in default

15.3.2.7 Operator's failure to use only Franchisor's approved mayonnaise, sauces, spices, recipes, ingredients, raw materials, product and portion control formulas in the preparation of authorized products.

15.3.2.8 Operator's failure to attend and satisfactorily complete any and all required initial training, system orientation programs and periodic franchisee training programs.

15.3.2.9 Operator's failure to make all menu items in strict compliance with Franchisor's specifications, recipes and requirements, failure to sell, serve, dispense food items and products which franchisor requires its L & L franchisees to sell.

15.4 LIQUIDATED DAMAGES.

In the event of a default by Operator, any and all of Franchisor's costs and expenses related to or arising from such default, including reasonable legal, accounting, audit, and/or consultant fees and costs, any and all of Franchisor's administrative staff and support costs and expenses incurred and/or related to such default shall be paid to Franchisor by Operator within five (5) days after written notice by Franchisor to Operator for and during any and all periods of time when Operator is in default in the performance of any term, condition or obligation of Operator under this Agreement, Operator shall pay to Franchisor an additional administrative costs and expenses surcharge of twenty percent (20%) of the continuing franchise fees to further offset Franchisor's losses. Operator and Franchisor agree that calculation of all such costs and expenses referenced in this paragraph may be difficult and/or uncertain and that the agreed minimum surcharge of twenty percent (20%) of the continuing franchise fee represents a reasonable and agreed minimum calculations of such costs and expenses. If Franchisor is able to establish that its actual costs and expenses incurred relating to Operator's default is greater than the agreed minimum surcharge, Operator shall promptly pay Franchisor the actual costs and expenses incurred but in no event less than the agreed minimum. Once Operator cures any and all defaults in the performance of any term, condition or obligation of Operator under this Agreement, Operator's obligation to pay the agreed minimum surcharge or Franchisor's actual costs and expenses incurred, whichever is higher, shall end until and unless Operator again becomes in default under this Agreement.

15.5 NO WAIVER.

Non-enforcement by Franchisor of any violation of the terms of this Agreement by Operator shall not constitute a waiver of such violation by Franchisor nor shall Franchisor be deemed to have waived any of its rights to enforce compliance by Operator of such breach or any other breach of this Agreement.

15.6 ALTERNATIVES TO TERMINATION.

If Franchisor is entitled to terminate this Agreement, Franchisor may withhold from Franchisee certain benefits, plans, promotions, or products that might be available to other franchisees; Franchisor may require Franchisee to prepare a business plan for Franchisor's review to demonstrate Franchisee's plan to operate the Restaurant in good standing going forward; Franchisor may require Franchisee to participate in additional training or retraining; and/or Franchisor may not authorize Franchisee to engage in

certain activities, benefit from certain discounts, or participate in certain meetings or events, unless and until Franchisee cures its default(s) and operates in compliance with this Agreement and Franchisor's rules, policies, and standards. If any of such rights, options, or arrangements, are terminated or modified in accordance with this Section 15.6, such action shall be without prejudice to Franchisor's right to terminate this Agreement, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

15.7 ADMINISTRATIVE NON-COMPLIANCE FEE.

If Franchisee commits any breach of this Agreement, Franchisor may charge to Franchisee an administrative non-compliance fee equal to one thousand dollars (\$1,000) to reimburse Franchisor for the time and resources that it has expended addressing Franchisee's default.

ARTICLE 16. RIGHTS AND OBLIGATIONS UPON TERMINATION

Upon the expiration or termination of Operator's rights granted under this Agreement, (whether during the term of the Agreement or at its conclusion) the following apply:

16.1 Upon termination or expiration of this Agreement for any reason, Operator's right to use Franchisor's copyrighted materials and Franchisor's Marks, or any other mark distributed by Franchisor or insignia or slogan used in connection therewith, or any confusingly similar trademark, service mark, trade name or insignia shall cease. **At such time, Operator shall immediately discontinue use of Franchisor's copyrighted materials and Franchisor's Marks, System (including the Manuals and Confidential Information), color scheme, and trade dress.** Operator shall at its own cost, make cosmetic changes to Operator's System Restaurant from Franchisor's proprietary designs including but not limited to, the removal of all L & L Franchise System Restaurant identifying materials and distinctive L & L Franchise System Restaurant cosmetic finishes, tile walls, interior wall coverings and colors, exterior finishes and colors, signage, menu boards, and L & L Franchise System Restaurant counter equipment (which shall be deemed proprietary to Franchisor) from the Location as Franchisor may reasonably direct. If Operator fails make such changes and fully de-identify the System Restaurant, Operator hereby agrees that Franchisor may make all such changes and complete de-identification of the System Restaurant on Operator's behalf, and Operator shall be required to reimburse Franchisor for all costs, expenses, fees, or other amounts that Franchisor incurs.

16.2 Franchisor may retain all fees paid pursuant to this Agreement.

16.3 Any and all obligations of Franchisor to Operator under this Agreement shall immediately cease and terminate.

16.4 Any and all rights of Operator under this Agreement shall immediately cease and terminate.

16.5 In no event shall a termination or expiration of this Agreement affect Operator's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which constitute post-termination covenants and agreements including but not limited to the obligations of Operator to not compete, to preserve Confidential Information and the obligation of Franchisor and Operator to arbitrate any and all disputes shall survive the termination or expiration of this Agreement.

16.6 Operator acknowledges and agrees that rights in and to Franchisor's Marks and the use thereof shall be and remain the property of Franchisor.

16.7 If Operator has registered any of Franchisor's Marks or the name L & L Hawaiian Barbecue and/or L & L Hawaiian Grill and/or L & L Hawaiian Mixplate and/or the name L & L as part of Operator's assumed, fictitious or corporate name, whether permitted by Franchisor or not, Operator shall promptly amend such registration to delete Franchisor's Marks therefrom.

16.8 Operator shall immediately pay any and all amounts owing to Franchisor, its subsidiaries and affiliates.

16.9 Operator shall immediately deliver to Franchisor all customer lists and such customer data as Franchisor may designate.

16.10 Franchisor shall have the option, exercisable by written notice within thirty (30) days after the termination of this Agreement, to take an assignment of all Internet addresses, websites, social media accounts, and/or telephone numbers (and associated listings) for Operator's System Restaurant. Operator is not entitled to any compensation from Franchisee if Franchisor exercises this option.

16.10 Upon the termination or expiration of this Agreement, Operator shall not thereafter, directly or indirectly, at any time or in any manner identify itself or any business as a current or former L & L Franchise System Restaurant or as a current or former franchisee of or as otherwise associated with Franchisor, or use any Marks, any colorable imitation thereof or any Mark substantially identical to or deceptively similar to any Mark in any manner or for any purpose, or utilize for any purpose any trade name, trademark or service mark, domain name, or other commercial symbol or any signs containing any Mark, and must return them to Franchisor or destroy forms and materials containing any Mark or otherwise identifying or relating to a System Restaurant.

16.11 In the event Franchisee continues to operate or subsequently begins to operate another business, Franchisee agrees not to use any reproduction, counterfeit, copy or colorable imitation of Franchisor's copyrighted materials and Franchisor's Marks either in connection with such other business or the promotion thereof and agrees not to utilize any trade dress or designation of origin or description or representation which

falsely suggests or represents an association or connection with Franchisor. Franchisee hereby acknowledges and agrees that Franchisor's trade dress is inherently distinctive and recognizable the trade dress of the L & L Hawaiian Barbecue brand.

16.12 Franchisee shall, at its option, assign to Franchisor any interest which Franchisee has in the lease or sublease for the Location. If Franchisor elects to exercise its option to acquire the lease or sublease, Franchisee shall comply with Franchisor's instructions regarding the modifications that Franchisee shall make to the Location pending Franchisor's assumption of such lease or sublease.

ARTICLE 17. INSURANCE

17.1 Operator shall obtain and maintain insurance coverage which shall in each instance designate Franchisor, and its officers, directors, managers, agents, related companies and subsidiaries, as an additional named insured, with an insurance company approved by Franchisor, which approval shall not be unreasonably withheld as follows:

17.1.1 insurance on Operator's inventory, fixtures, furniture, equipment, improvements, betterments, and wares in an amount equal to not less than the full replacement cost thereof with coverage against the perils of fire and standard extended coverage, including malicious mischief and burglary;

17.1.2 commercial general liability and property damage insurance, including personal injury liability, contractual liability, products and completed operations, public liability, employer's liability, and tenant's liability, with coverage of not less than \$2,000,000 for any one occurrence and such greater amount as Franchisor may specify; plus excess liability umbrella coverage for the general liability coverages in an amount of not less than \$3,000,000 per occurrence and in the aggregate;

17.1.3 business interruption insurance in such amount as will reimburse Operator for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent restaurant owners, or attributable to prevention of access to the premises, with coverage for a period of interruption of 180 days and such longer period as may be specified by Franchisor;

17.1.4 tenant's liability insurance;

17.1.5 such other insurance as may be required by law, including Workers' Compensation Insurance in such amounts as prescribed by statute;

17.1.6 data privacy/cyber liability insurance, including first party coverage (forensics investigation, notification, credit monitoring, loss of business income, crisis management) and third party coverage, with coverage limits of no less than \$250,000 per occurrence and aggregate; and

17.1.7 such other insurance coverage as reasonably required by Franchisor or Operator's landlord.

17.1.8 If Operator establishes a delivery service for Authorized Products, Operator shall obtain separate non-owned auto coverage insurance. Operator may not directly or indirectly deliver any Authorized Products until such insurance is obtained and Franchisor named as additional insured therein.

17.1.9 Any insurance carried by Franchisor which may be applicable shall be deemed to be excess insurance and Operator's insurance shall be primary for all purposes despite any conflicting provision in Operator's policies to the contrary.

17.2 In the event of damage to the System Restaurant covered by insurance, the proceeds of any such insurance shall be used to restore the System Restaurant to its original condition as soon as possible, unless such restoration is prohibited by the Location lease or Franchisor has otherwise consented to in writing. Upon obtaining such insurance, Operator shall promptly provide to Franchisor proof of such insurance coverage and/or at such other times upon the request of Franchisor.

17.3 Operator shall, prior to opening its System Restaurant, file with Franchisor and regularly update, certificates of such insurance or such other evidence of coverage as Franchisor may require, and shall promptly pay all premiums on the policies as they become due. In addition, the policies shall contain a provision requiring thirty (30) days prior written notice to Franchisor of any proposed cancellation, modification, or termination of insurance. If Operator fails to obtain and maintain the required insurance, Franchisor may, at its option, in addition to any other rights it may have, procure such insurance for Operator without notice and Operator shall pay, upon demand, the premiums and Franchisor's costs in taking such action.

ARTICLE 18. SOLE OBLIGATIONS OF FRANCHISOR

18.1 As described in Franchisor's Franchise Disclosure Document, received by Operator at least fourteen (14) full days prior to the execution of this Agreement, Franchisor has obligated itself to provide specific services to Operator. Franchisor also provides other voluntary services at its sole discretion. Franchisor and Operator agree that the following are the only required obligations of Franchisor:

18.1.1 To approve the Location of Operator in accordance with the terms of this Agreement.

18.1.2 To provide the advice and assistance that it deems appropriate from time to time , after notice to Franchisor sent to: L & L Franchise, Inc., Attn: President, 2138 Algaroba Street, Honolulu, Hawaii 96826, by certified mail (return receipt requested) or at any subsequent addresses established by Franchisor, of Operator's problem and the type of assistance needed. At no time shall reasonable assistance be interpreted to require Franchisor to pay any money to or for the benefit of Operator.

Franchisor, in its sole discretion, may provide any assistance at Franchisor's designated office or upon Franchisor's election where Operator is located, at a time to be determined by Franchisor.

18.1.3 To reasonably administer the advertising program in accordance with Franchisor's sole discretion.

18.1.4 To supply to Operator a set of standard decor and layout plans and to thereafter approve the initial decor and layout of Operator's System Restaurant provided they are consistent with Franchisor's requirements.

18.1.5 To loan Operator a copy of its Manuals, in hard copy or electronically, which Manuals contain mandatory and suggested specifications, standards and procedures. The Manuals are confidential and remain Franchisor's property.

18.1.6 To train Operator in accordance with Article 3 herein and to provide representatives of Franchisor to assist in opening the System Restaurant.

18.2 Franchisor shall not, and can not be held in breach of this Agreement until (i) Franchisor has received notice of any alleged breach from Operator, by certified mail, sent to the party(ies) set forth in subparagraph 18.1.2 of this Article; and (ii) Franchisor has failed to remedy the breach within a reasonable period of time after such notice, which period shall not be less than sixty (60) days. This is a material term of this Agreement and may not be modified or changed by any arbitrator in an arbitration proceeding or otherwise in any court of competent jurisdiction.

18.3 If Operator or any of Operator's owners fail to comply with any provision of this Agreement or any mandatory specification, standard, or operating procedure prescribed by us, Franchisor may terminate this Agreement effective immediately upon delivery of written notice of termination to Operator.

ARTICLE 19. POINT OF SALE SYSTEM, COLLECTION OF DATA

19.1 This Agreement and the Manuals may require the submission of daily, weekly or periodic statistical control forms as well as other financial and operational information required by Operator and Franchisor to: (i) assist Operator in the operation of its System Restaurant in accordance with the System; (ii) allow Franchisor to monitor the Operator's Net Sales, purchases, costs and expenses; (iii) enable Franchisor to develop chainwide statistics which may improve bulk purchasing; (iv) assist Franchisor in the development of new authorized products or the removal of existing unsuccessful Authorized Products; (v) enable Franchisor to refine existing Authorized Products; (vi) generally improve chainwide understanding of the System; and (vii) obtain new types of information unknown at this time (collectively, the "Information"). To achieve these results, cash collection and data processing systems are necessary.

In addition to the POS system, Operator must purchase, maintain, and use in connection with the Restaurant a computer system, as well as the hardware, software, applications (“apps”), and other technology that Franchisor has designated from time to time. Operator must not use in connection with the Restaurant any technology of which Franchisor has not approved. Franchisee may be required to enter into licensing agreements and pay additional fees in connection with such required technology, which may change from time to time. In particular, Franchisee is currently required to purchase, maintain, and use in connect with the Restaurant the mobile “app” that Franchisor designates. On request, Operator must maintain on-line communications between Operator’s computer system and Franchisor’s computer systems, and permit Franchisor independent access to, and retrieval of, data from Operator’s computer system at all times. Nothing limits Franchisor’s right to access or use the data Franchisor retrieves.

Franchisor may modify its specifications for computer systems at any time and will notify Operator of these developments by written bulletin or supplements to the Manuals. Depending on changes in software specifications, Operator may have to upgrade Operator’s computer hardware. There are no contract limitations on the frequency or costs of upgrades or changes in the computer systems Franchisor may impose.

19.2 Operator shall purchase and use only the point of sale cash collection and data processing system (the “POS System”) and only the specified software authorized by Franchisor, as specified in the Manuals or otherwise by Franchisor in writing from time to time. Franchisor has currently designated the Clover point of sale system supported by FISERV. The POS System includes a PC based cash register with touch screen keyboard, register tape printer, magnetic strip reader, electronic cash drawer, defined Franchisor polling and register software and telecommunications equipment. Operator expressly agrees that Franchisor shall thereafter have the free and unfettered right to retrieve such data and information from Operator’s system as Franchisor, in its sole and exclusive discretion, deems necessary or appropriate. The cost of such retrieval shall be borne by Franchisor. Operator shall bear the sole cost of the foregoing items to be installed or purchased and activities to be accomplished by Operator and the delivery and installation cost of all hardware and software.

19.2.1 Operator shall furnish to Franchisor (a) within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to us of Operator’s compliance with the forgoing paragraph and (b) within thirty (30) days after the later of expiration of Franchisor’s option to purchase the L & L Franchise System Restaurant as provided in Section 14.1 or receipt of notice that Franchisor elected not to purchase the L & L Franchise System Restaurant pursuant to Section 14.1, evidence satisfactory to Franchisor of Operator’s compliance with the foregoing obligations.

19.3 Operator shall (i) connect the POS System to a cable, DSL or broadband line(s) and/or the internet dedicated line which is accessible by Franchisor at all times; (ii) maintain it in good working order; and (iii) not disconnect any POS System connection from such internet connection at any time, for any reason, without prior

written approval. Operator agrees, at Franchisor's request, to maintain membership in a designated third-party network for the purpose of implementing, transmitting, collecting and maintaining any Information or data exchange system.

Operator specifically authorizes Franchisor to either "upload" or "download" information in and from or to its computers, cash registers or other such devices as allowed by law, as it relates to the System Operation by internet, intranet; and other networks and other means as they become available.

19.4 Operator may be required to upgrade or update its POS System. On Franchisor's request, Operator must apply for and maintain a debit card, credit card or other non-cash payment systems to enable customers to purchase products through these procedures. There is no contractual limitation on Franchisor's right to receive information through the POS System.

ARTICLE 20. RELATIONSHIP OF PARTIES, DISCLOSURE

20.1 Franchisor and Operator are not and shall not be considered joint ventures, partners, or agents of each other, or anything other than Franchisor and Operator, and neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Franchisor and Operator agree that the relationship created by this Agreement is not a fiduciary relationship. Operator shall not, under any circumstances, act or hold itself out as an agent or representative of Franchisor. Operator agrees that in all public records and in its relationships with other entities or agencies, on its letterheads and business forms and on a notification exhibited in Operator's premises, Operator will indicate clearly that it is an independent franchisee of Franchisor.

The Franchisor shall have no liability for the Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, Net Sales, income, property or other tax levied upon the Franchisee, the Franchisee's property, the Franchisee's business or upon the Franchisor in connection with the sales made or business conducted by the Franchisee.

20.2 As set forth in the Franchise Disclosure Document delivered to Operator as described above, Operator acknowledges that Franchisor has entered or may in the future enter into certain franchise agreements with subfranchisors and/or area developers in certain areas and territories. Pursuant to these contracts, the subfranchisors of Franchisor are obligated to provide certain sales, operational and support services for Franchisor. Operator acknowledges that the relationship between Franchisor and all of its subfranchisors and/or area developers is strictly contractual and that no subfranchisor and/or area developer is an agent of Franchisor. Accordingly, Operator acknowledges and agrees that any past, current or future subfranchisor is not the actual, express or implied agent of Franchisor, and has no power or authority to: (i) act on Franchisor's behalf; (ii) enter into or execute any agreement on Franchisor's behalf; (iii) make any representation or promise on Franchisor's behalf; or (iv) bind

Franchisor in any way. Unless otherwise specifically agreed to in writing, Franchisor expressly disavows any acts by others, including subfranchisors, that purport to bind Franchisor in any way. Operator agrees to waive any claim or defense in any litigation or arbitration proceeding that a subfranchisor is the express or implied agent of Franchisor. Operator agrees that any attempt to raise, assert or justify such claim or defense in any proceeding constitutes a material default of this Agreement.

20.3 All owners with a ten percent (10%) or greater direct or indirect ownership interest in the Franchisee, along with their spouses, must sign a personal guarantee in the form attached to this Agreement as Appendix C.

ARTICLE 21. DISPUTE RESOLUTION: ARBITRATION AND LEGAL PROCEEDINGS

21.1 Franchisor and Operator acknowledge that disputes or disagreements may arise during the term of this Agreement and any renewals thereto, and thereafter. Franchisor and Operator have elected to resolve such disputes or disagreements in a non-judicial alternative dispute resolution format (“ADR”). An ADR format seeks to minimize the expense of dispute resolution and generally can be accomplished in a more expeditious and effective manner. By agreeing to an ADR format, both Operator and Franchisor are also waiving a number of rights, remedies and privileges which may arise in a judicial resolution format including, but not limited to right as a jury trial and full judicial appeals. In view, however, of the continuing relationship between Operator and Franchisor over the original and renewal terms of this Agreement, both Operator and Franchisor agree that an ADR format is the most economical, efficient and practical way to resolve disputes and disagreements.

21.2 Accordingly, except as otherwise provided in this Agreement, in the event of any dispute or disagreement between Franchisor and Operator with respect to any issue arising out of or relating to this Agreement and/or any associated or related Confidential Information Agreement and/or Personal Guaranty, any claimed breach, interpretation or any other disagreement between Operator and Franchisor, the parties agree to pursue good faith mediation of such matter in accordance with the then current Commercial Mediation Rules of the Dispute Prevention & Resolution, Inc. (“DPR”). Should the matter not be resolved in mediation, such dispute or disagreement shall be resolved by arbitration in accordance with the then current Commercial Arbitration Rules of the DPR. In the event of any dispute or disagreement, Operator and Franchisor both agree to submit the dispute to arbitration in accordance with the least expensive procedure of the DPR, and the application for such arbitration shall be filed with DPR at 1003 Bishop St., Suite 1155, Honolulu, HI 96813. Franchisor and Operator agree that the hearing(s) shall be held in Honolulu, Hawaii before one Arbitrator who has experience in franchise law, if available. The franchise agreement generally requires binding arbitration except for certain specified excluded matters set forth below in this Section 21.2. The arbitration will occur in Honolulu, Hawaii with the costs being born by Franchisor and Franchisee in accordance with the DPR rules. The parties agree that they shall utilize a virtual medium as much as possible to conduct the arbitration.

In the event that Franchisor or Operator fail or refuses to pay for their respective share of any fees required or requested to be paid by DPR in connection with the agreed dispute resolution process, the other party shall have the right, at its option, to either proceed with the ADR format or to pursue resolutions of any and all disputes or disagreement through court or judicial procedures.

Notwithstanding the obligations of Operator and Franchisor to arbitrate all disputes and other conflicts, Operator and Franchisor acknowledge that certain defaults require immediate action to protect the appropriate party. Hence, both Franchisor or Operator are entitled to an injunction restraining Franchisor or Operator from committing or continuing to commit any default, breach or threatened breach of this Agreement, without showing or proving any actual damage sustained by the party seeking such relief. Further, the following additional disputes and controversies between Operator and Franchisor will not be subject to arbitration: (1) any dispute or controversy involving the Marks, and (2) any dispute or controversy involving the violation or infringement of copyright rights. Accordingly, Franchisor and Operator each hereby consent to and authorize the other party to apply to any court of competent jurisdiction for judicial assistance in restraining and enjoining violations of this Agreement, and for resolution of the other disputes described in this Section 21.2.

21.3 Franchisor and Operator agree that this Agreement evidences a transaction involving interstate commerce and that the enforcement of this arbitration provision and the confirmation of any award issued to any party by reason of an arbitration conducted pursuant to this arbitration provision is governed by applicable law.

21.4 Punitive or exemplary damages may not be awarded by the arbitrator(s), and any such award shall not be enforceable or enforced by any court. The prevailing party in any arbitration or legal proceeding shall be entitled to an award of attorney's fees and costs. If the waiver of punitive or exemplary damages or legal fees and related costs are in violation of the laws of the state where the Operator's System Restaurant is located, such claims may be awarded by the arbitrator(s), and any such award shall be enforceable or enforced in any court of appropriate jurisdiction. In no event can the provisions of this Agreement including, but not limited to the method of operation, Authorized Product line or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator.

21.5 In the event that the Franchisor commences an action or proceeding which seeks, in whole or part, injunctive relief, such injunctive relief may be obtained without the necessity of posting a cash or security bond of any kind. Except for a proceeding for injunctive relief (including temporary restraining orders, preliminary injunction, injunctions or similar relief which must be brought in an appropriate local forum), any legal proceeding authorized by this Agreement shall be commenced only in the Federal District Court, Honolulu, Hawaii and both Franchisor and Operator consent to the jurisdiction in the Federal District Court, Honolulu, Hawaii. In the event the parties do not meet the jurisdictional requirements for Federal Court, the party's consent

to jurisdiction in the State Court located in Honolulu, Hawaii. Operator agrees that mailing to its last known address by certified mail of any process shall constitute lawful and valid process. In all cases, Operator and Franchisor each waives any right to a trial by jury. Notwithstanding the foregoing, if the laws of the state where Operator's System Restaurant is located require jurisdiction of the courts of that state or control by the laws of that state, then this Agreement shall be deemed modified to comply with the applicable laws.

21.6 Any lawsuit, claim, counterclaim, or other action must be conducted only on an individual basis, and must not be as part of a consolidated, common, or class action. OPERATOR HEREBY AGREES NOT TO SEEK JOINDER OF ANY OF OPERATOR'S CLAIMS WITH THOSE OF ANY OTHER PARTY.

21.7 Operator agrees to hold harmless, defend, and indemnify Franchisor and its past, present and future affiliates, officers, directors, interest holders, members, shareholders, agents, attorneys, consultants, and employees against any claims, losses, costs, expenses (including, but not limited to, reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), costs of investigation, settlement costs, and interest), liabilities and damages (collectively in this Section 21.6, "Claims") arising directly or indirectly from, as a result of, or in connection with this Agreement, Operator's operation of the Restaurant, Operator's and/or Operator's employees' actions or inactions, any claim that Franchisor is a joint employer with Operator for any reason, Operator's activities under this Agreement, and/or Operator's breach of this Agreement, including, without limitation, those Claims alleged to be caused by Franchisor's negligence unless (and then only to the extent that) the Claims are determined to be caused solely by Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction (including, but not limited to, Claims brought by Operator). In the event Franchisor incurs any costs or expenses, including, without limitation, legal fees (including, but not limited to, attorneys' fees, costs, and expenses, and interest on such fees, costs, and expenses), travel expenses, and other charges in connection with any proceeding involving Operator in which Franchisor is not a party, Operator must reimburse Franchisor for all such costs and expenses promptly upon presentation of invoices. With respect to any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect Franchisor or any of the other indemnitees under this Section, if Operator does not assume the active defense of the matter within a reasonable time, Operator will have the right, but not the obligation, to: (i) choose counsel; (ii) direct and control the handling of the matter; and (iii) settle any claim against the indemnitees. This Section applies to Claims even if they exceed the limits of Operator's insurance coverage.

21.8 The terms of this article shall survive termination, expiration or cancellation of this Agreement.

ARTICLE 22. EXECUTION, REQUESTS, CONSENTS AND WAIVERS

22.1 This Agreement takes effect upon its acceptance and execution by Operator and Franchisor, and shall be governed by and construed in accordance with the laws of the State of Hawaii. Franchisor will consider written requests by Operator for Franchisor's consent to a waiver of any obligation imposed by this Agreement. Operator agrees, however, that Franchisor is not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case by case basis, and nothing shall be construed to require Franchisor to grant any such request. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon ten (10) days prior written notice to Operator. Franchisor makes no warranties or guarantees upon which Operator may rely, and assumes no liability or obligation to Operator by providing any waiver, approval, consent, assistance, or suggestion to Operator in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

22.2 Neither Operator nor Franchisor shall be deemed to have waived or impaired any right, power or option reserved by this Agreement, including, without limitation, its right to demand strict compliance with every term, condition, and covenant herein, or to declare any breach thereof a default and to terminate this Agreement prior to the expiration of its term, by virtue of any custom or practice of the parties at variance with the terms hereof; by any forbearance, delay, failure, or omission to exercise any right, power, or option, whether of the same, similar, or different nature, against Franchisor, Operator, or any other operator; or by the acceptance of any payments due after any breach of this Agreement.

ARTICLE 23. MISCELLANEOUS PROVISIONS

23.1 This Agreement may be executed in any number of counterparts, each of which, when so executed and *delivered*, shall be deemed an original, but such counterparts together shall constitute but one and the same instrument.

23.2 This Agreement and all exhibits to this Agreement constitute the entire agreement between the *parties* and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that it furnished to Operator. Operator acknowledges that it is entering into this Agreement as a result of its own independent investigation of the franchised business and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Operator pursuant to applicable law.

23.3 There is no *other* agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than

contained in this Agreement. This Agreement is not subject to or conditioned upon the obtaining of a Location for Operator's System Restaurant.

23.4 Except as *otherwise* provided, each party shall bear its own attorneys' fees arising from the negotiations and execution or lack of execution of this Agreement.

23.5 Each article, *paragraph*, subparagraph, term, and condition of this Agreement shall be considered severable. If for any reason, any portion of this Agreement is determined to be invalid or in conflict with any law or rule in a final ruling issued by any court, agency, or tribunal with valid jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not affect the validity or enforceability of any other portion of this Agreement.

23.6 All notices to Franchisor required by the terms of this Agreement, unless otherwise provided, shall be sent by certified mail or by overnight delivery service, addressed to the parties set *forth* in this Agreement, or at such other address as Franchisor designates. All notices to Operator required by the terms of this Agreement shall be sent by certified mail or by overnight delivery service, addressed to Operator at the Location, or at such other or additional address as Operator designates in writing. If Operator refuses acceptance of any certified or overnight delivery, acceptance shall be deemed to have occurred forty-eight (48) hours after rejection of such notice.

23.7 Franchisee shall pay to Franchisor the continuing franchise fee and the Advertising Fee by no later than the tenth (10th) day of the month immediately following each month of operation, or at such other time as Franchisor may designate. If all or any portion of the required initial franchise fee referenced in Article 1, continuing franchise fee and/or the Advertising Fee is not paid promptly as and when due, Franchisee shall pay interest thereon at the rate of ten percent (10%) per annum or at the highest rate authorized by law.

Signatures are on the following pages.

FRANCHISEE

| | |
|--------------------|-------------------------|
| _____ Signature | BY: _____ Its: _____ |
| _____ Signature | BY: _____ Its: _____ |
| _____ Signature | BY: _____ Its: _____ |
| _____ Signature | BY: _____ Its: _____ |

Date Signed

STATE OF _____)
) SS.
 COUNTY OF _____)

On the _____ day of _____, 20__, before me personally appeared _____, to me personally known, who being by me duly sworn or affirmed, did say that such person(s) executed the foregoing instrument as the free act and deed of such person(s), and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

Notary Public, State of _____
My commission expires:

STATE OF _____)
) SS.
COUNTY OF _____)

On the _____ day of _____, 20__, before me personally appeared _____, to me personally known, who being by me duly sworn or affirmed, did say that such person(s) executed the foregoing instrument as the free act and deed of such person(s), and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

Notary Public, State of _____
My commission expires:

APPENDIX A

Non-Disclosure and Non-Competition Agreement (Between Franchisee and Key Individuals)

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“**Agreement**”) is made by _____ and between _____ (the “**Franchisee**”), _____ and _____, who is an owner, spouse of an owner, child of an owner, sibling of an owner, officer or director of Franchisee, or other key member of Franchisee’s management team (the “**Member**”), on the date signed by Franchisee, as set forth below.

RECITALS:

WHEREAS, L & L Franchise, Inc. (“**Franchisor**”) has developed a distinctive set of specifications and operating procedures (collectively, the “**System**”) for the operation of franchised L & L Hawaiian barbecue restaurants (“**Franchised Businesses**”).

WHEREAS, Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a Franchised Business under the terms and conditions of the Franchise Agreement;

WHEREAS, the Member, by virtue of his, her, or their position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member will not, during the term of the Franchise Agreement or thereafter, communicate, divulge or use for any purpose other than the operation of the Franchised Business, any confidential information, knowledge, trade secrets or know-how which may be communicated to Member or which Member may learn by virtue of Member’s (or Member’s spouse’s, parent’s, or sibling’s) relationship with Franchisee. All information, knowledge and know-how relating to Franchisor, its business plans, Franchised Businesses, or the System (“**Confidential Information**”) is deemed confidential, except for information that Member can demonstrate came to Member’s attention by lawful means prior to disclosure to Member or which, at the time of the disclosure to Member, had become a part of the public domain other than through Member’s act or omission. In addition, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, pursuant to the Defend Trade Secrets Act.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and/or by virtue of his, her, or their (or his or her or their spouse's, parent's, or sibling's) position with Franchisee, Member will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for himself, herself, or themselves, or through, on behalf of, or in conjunction with any person (including through a spouse, parent, sibling, or child), persons, partnership, corporation, or entity:

(i) engage in the production or sale at retail of any food product called or designated as "Hawaiian" food and/or barbecued meat and/or chicken katsu and/or breaded cutlet of chicken or meat and/or spam musubi and/or chicken musubi, kalua style or smoke flavored meat, lau lau and/or plate lunches with scoop(s) of rice and/or macaroni salad, and/or have any employment or interest in any firm engaged in the production or sale at retail or wholesale of any such products unless Franchisor gives its prior written consent;

(ii) own, manage, engage in, be employed by, advise, make loans to, consult for, rent or lease to, or have any other interest in any business that operates, or grants franchises or licenses to operate, a restaurant, or a similar business that offers products or services substantially similar to those then offered by System Restaurants (a "Competitive Business");

(iii) divert or attempt to divert any business or customer, or potential business or customer, of the Franchised Business to any Competitive Business; or

(iv) interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize Franchisor's business or that of Franchisor's affiliates or any of its franchisees.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, and subject to applicable law, Member will not, either directly or indirectly (including through a spouse, parent, sibling, or child), own, manage, engage in, be employed by, advise, make loans to, consult for, or have any other interest in any Competitive Business that is, or intends to operate: within a five (5) mile radius of the location of the Franchised Business; or (d) within a five (5) mile radius of any other L & L restaurant then operating or under construction to operate under the System.

(d) As used in this Agreement, the term "Post-Term Period" will mean a continuous uninterrupted period of twenty-four (24) months from the date of: (a) a transfer of the Member's interest (or, if the Member is not an owner of the Franchisee

but a spouse, child, or sibling of the owner, a transfer of the spouse's, child's, or sibling's interest) in the Franchised Business permitted under the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause); (c) termination of Member's directorship or officership with Franchisee; and/or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any person, partnership, corporation or entity).

(e) Member will notify the Franchisee promptly in writing of any and all ideas, inventions, discoveries and improvements, including without limitation, recipes, methods and procedures (for the purposes of this paragraph, "Improvements"), whether patentable or not, which are made, discovered, or conceived either solely by Member or jointly with others, at the Franchisee's expense, or at the Franchisee's request, based on his/her/their knowledge or information obtained from the Franchisee or Franchisor, in connection with the L & L Restaurant whenever or wherever such Improvements were conceived, and Member will assign all right, title and interest to them to the Franchisor. Member will assign to the Franchisor all interest in any patents, patent applications or other intellectual property rights relating to such Improvements and will assist the Franchisor in obtaining, maintaining, and prosecuting such patents, patent applications and intellectual property rights. Member will assign and does hereby assign to the Franchisor all such Improvements (including, but not limited to all patent rights, copyrights, and rights of authorship therein), free and clear of any liens, claims or encumbrances. Member will take all steps both during and after his/her/their employment with the Franchisee (but at the Franchisor's expense) that may be necessary in order to effectuate the assignment to the Franchisor or to enforce any patents, copyrights or any proprietary rights relating to the Improvements and Member will execute all documents necessary to give to the Franchisor full legal ownership to such Improvements. Member irrevocably designates and appoints the Franchisor and its duly authorized officers and agents as his/her agent and attorney in fact to act for and on Member's behalf and stead, to execute and file any application, assignment or other document and to do all other lawfully permitted acts to further the assignment, prosecution and/or issuance of a patent, copyright, mask work and/or trademark with respect to the Improvements and/or other works created by Member with the same legal force and effect as if executed and filed by Member.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, are held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Franchisee's legitimate business

needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Definitions. All capitalized terms not defined herein will have the meaning ascribed to them in the Franchise Agreement.

7. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

[Signatures on next page]

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date set forth below.

FRANCHISEE

MEMBER

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

APPENDIX B

Non-Disclosure and Non-Competition Agreement (Between Franchisee and its Other Personnel)

[Note to Franchisee: This document is a sample form only for use with your managers and employees with access to Confidential Information. You may use this form or choose to use your own form of agreement, provided that if you use your own form of agreement it must meet our standards and specifications. If you use this form, you should consult with your attorney to ensure that the terms of this agreement are enforceable within your state and make any necessary modifications. In some states, this agreement may only be enforceable to the extent permitted by state law.]

THIS EMPLOYEE AGREEMENT (THE "AGREEMENT") IS MADE BY AND BETWEEN _____ (THE "FRANCHISEE") AND _____ (THE "EMPLOYEE") ON THE DATE SIGNED BY FRANCHISEE, AS SET FORTH BELOW.

1. Franchisee has entered into an agreement with L & L Franchise, Inc. (the "Franchisor") giving Franchisee the right to operate a L & L Hawaiian barbeque restaurant pursuant to a distinctive and proprietary set of specifications and operating procedures.
2. Employee by virtue of his/her/their employment with Franchisee will gain access to certain of Franchisee's and Franchisor's confidential information and acknowledges that both the Franchisee and Franchisor need to protect this information.
3. Employee will, during and after his/her/their term of employment, hold in confidence and not disclose or use to his/her/their own advantage or the advantage of others any confidential or proprietary information belonging to the Franchisor or the Franchisee, except on their behalf, without their express written consent.

For the purposes of this paragraph, confidential or proprietary information shall be deemed to include all information which Employee learns or to which he/she/they has access as a result of his/her/their employment, such as (a) names or addresses of any customers of the Franchisee or information relating to the services provided to such customers; (b) names or address of any of the employees of the Franchisee or the Franchisor; (c) proprietary, confidential or secret processes, recipes, plans, devices, or material relating to the business, products and services, or activities of the Franchisee or Franchisor; (d) proprietary, confidential or secret engineering, development, or research of the Franchisee or Franchisor; (e) financial information relating to the Franchisee or Franchisor; or (f) other proprietary, confidential or secret aspects of the business, products and services or activities of the Franchisee or Franchisor. Excepted from the terms of this paragraph is confidential or proprietary information that (i) is currently in the public domain; (ii) becomes part of the public domain other than through Employee's act or omission; (iii) is revealed to Employee by a third party without

restrictions on its disclosure or use; or (iv) is known to Employee before such time as he/she/they shall have access to it as a result of his/her/their employment with the Franchisee. In addition, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Franchisor's Manuals.

Employee recognizes that the above definition may include within its scope some information, the disclosure of which could not reasonably be expected to cause damage to the Franchisee or Franchisor. Employee understands that it is the intent of the Franchisee and Franchisor to interpret and apply this Agreement reasonably. At any time, should Employee have a question on whether any information within the scope of the above definition might nonetheless be disclosed, Employee will consult with his/her manager.

4. Employee agrees that on leaving the employment of the Franchisee, or at the request of the Franchisee or Franchisor at any time during his/her employment, Employee shall immediately deliver to the Franchisee or Franchisor (or destroy, at the Franchisee's or Franchisor's option) all confidential or proprietary information and other such materials in Employee's possession, custody or control.

5. Employee will notify the Franchisee promptly in writing of any and all ideas, inventions, discoveries and improvements, including without limitation, recipes, methods and procedures (for the purposes of this paragraph, "Improvements"), whether patentable or not, which are made, discovered, or conceived either solely by Employee or jointly with others, at the Franchisee's expense, or at the Franchisee's request, or as a result of his/her/their employment with the Franchisee, or based on his/her/their knowledge or information obtained from the Franchisee or Franchisor, whenever or wherever such Improvements were conceived, and Employee will assign all right, title and interest to them to the Franchisor. Employee will assign to the Franchisor all interest in any patents, patent applications or other intellectual property rights relating to such Improvements and will assist the Franchisor in obtaining, maintaining, and prosecuting such patents, patent applications and intellectual property rights. Employee will assign and does hereby assign to the Franchisor all such Improvements (including, but not limited to all patent rights, copyrights, and rights of authorship therein), free and clear of any liens, claims or encumbrances. Employee will take all steps both during and after his/her/their employment with the Franchisee (but at the Franchisor's expense) that may be necessary in order to effectuate the assignment to the Franchisor or to enforce any patents, copyrights or any proprietary rights relating to the Improvements and Employee will execute all documents necessary to give to the Franchisor full legal ownership to such Improvements. Employee irrevocably designates and appoints the Franchisor and its duly authorized officers and agents as his/her agent and attorney in fact to act for and on Employee's behalf and stead, to execute and file any application, assignment or other document and to do all other lawfully permitted acts to further the assignment, prosecution and/or issuance of a patent, copyright, mask work and/or trademark with respect to the Improvements and/or other works created by Employee with the same legal force and effect as if executed and filed by Employee.

6. A "Competitive Business" shall be defined to include the production or sale at retail of any food product called or designated as "Hawaiian" food and/or barbecued meat and/or chicken katsu and/or breaded cutlet of chicken or meat and/or spam musubi and/or chicken musubi, kalua style or smoke flavored meat, lau lau and/or plate lunches with scoop(s) of rice and/or macaroni salad, and/or any employment or interest in any firm engaged in the production or sale at retail or wholesale of any such products unless Franchisor gives its prior written consent; or (b) owning, managing, engaging in, being employed by, advising, making loans to, consulting for, rent or lease to, or have any other interest in any business that operates, or grants franchises or licenses to operate, a restaurant, or a similar business that offers products or services substantially similar to those then offered by System Restaurants (a "Competitive Business"). Any operation by Employee of a Competitive Business shall be deemed by any court, arbitrator, or other fact finder to be dispositive evidence that Employee has used Franchisor's Confidential Information in violation of this Agreement.

6. While in the employ of the Franchisee, Employee will notify the Franchisee promptly in writing if Employee becomes involved in any way in any business that is or may be competitive with the Franchisee, including a Competitive Business, or may affect his/her/their job performance for the Franchisee. Any such companies described herein with which the Employee is currently involved are listed on Exhibit A.

7. Franchisee and/or Franchisor may from time to time photograph and make audio and video recordings of Employee in the course of Employee's employment. Employee hereby gives permission for Franchisee and/or Franchisor to so photograph and make audio and video recordings of him/her, and use such photographs and audio and video recordings for marketing, promotional and quality assurance purposes. This permission extends to the recording of telephone calls and security camera audio and video surveillance and the use of Employee's name. Employee acknowledges that Franchisor will own all right, title and interest in and to such photographs and audio and video recordings.

8. The Franchisee or Franchisor, as the case may be, shall be entitled to injunctive and/or other equitable relief to prevent a breach of the foregoing provisions and to secure their enforcement, because a breach by Employee of any of the foregoing would cause one or both of them irreparable injury and damage. Employee also agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisee or Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement. Nothing herein shall be construed as prohibiting either the Franchisee or Franchisor from pursuing any other remedies for such breach or threatened breach.

9. Employee hereby acknowledges and agrees that the Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with the Franchisee.

10. In some states, this Agreement may only be enforceable to the extent permitted by state law.

IN WITNESS WHEREOF, the Franchisee and the Employee attest that each has read and understands the terms of this Agreement.

FRANCHISEE

EMPLOYEE

By: _____

Signature

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Exhibit A

All companies with which Employee is currently involved that are or may be competitive with Franchisee:

APPENDIX C

Personal Guarantee

As an inducement to L & L Franchise, Inc. (the “**Franchisor**”) to execute a L & L Hawaiian Barbecue Franchise Agreement (the “**Agreement**”) with [a organized under the laws of ,] (the “**Franchisee**”), the undersigned individuals (collectively, the “**Guarantors**”) unconditionally guarantee to Franchisor, its affiliates, and their successors and assigns that all of the Franchisee’s obligations under the Agreement, and under other agreements or arrangements between the Franchisee and Franchisor, its affiliates, or their successors or assigns (collectively, the “**Obligations**”), will be punctually paid and performed. The liability of the Guarantors under this Guarantee is joint and several.

1. Guarantee

Upon demand by Franchisor, the Guarantors will immediately satisfy each Obligation. Each Guarantor waives any right to require Franchisor to: (a) proceed against the Franchisee or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from the Franchisee or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against the Franchisee or any other Guarantor. Without affecting the liability of the Guarantors under this Guarantee, Franchisor may, without notice to the Guarantors, extend, modify, or release any Obligation, or settle, adjust, or compromise any claims against the Franchisee. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution or payment by the Franchisee and agree to be bound by any and all such amendments and changes to the Agreement.

2. Indemnity

The Guarantors agree to hold harmless and indemnify Franchisor, its affiliates, and their respective officers, directors, members, shareholders and employees against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys’ fees, reasonable costs of investigation and court costs) resulting from, consisting of, or arising out of or in connection with any failure by the Franchisee to perform any Obligation.

3. Duration

Except for those personal obligations described in Section 4 below that will survive the expiration, termination or transfer of rights or ownership of the Franchisee or the Franchise Agreement, this Guarantee with respect to an individual Guarantor will terminate upon one of the following events: (a) termination or expiration of the Agreement, (b) the Guarantor’s transfer of all of his/her interest in Franchisee, or (c) the Guarantor’s spouse’s transfer of all of his/her interest in Franchisee, if the Guarantor does not own an interest in Franchisee. However, all liabilities of the Guarantors arising from events which occurred on or before the effective date of termination, expiration or transfer will remain in full force and effect until satisfied or discharged by the Guarantors. Upon the death of a Guarantor, the estate of the Guarantor will be bound by this Guarantee, but only for defaults and obligations of the Guarantor existing at the time of death; and the obligations of the other Guarantors will continue in full force and effect.

4. Other Personal Obligations

Except as expressly authorized by the Agreement, the Guarantors agree that they will not make any use of the intellectual property rights licensed under the Agreement or any trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of the training they may have received from Franchisor, their involvement in the business, or their or their spouse's ownership interest in the Franchisee, and Guarantors will not disclose the same to any third party.

The Guarantors acknowledge and agree to be bound personally by all covenants not to compete, confidentiality provisions, licensed marks provisions, governing law and dispute resolution provisions (**including the jury trial waiver, limitation on the time for bringing claims, waiver of class actions, and waiver of punitive damages,** construction and survival, and restrictions on transfers of interest (however, the Guarantors understand and acknowledge that this Guarantee does not grant them any right to use the "L & L Hawaiian Barbecue" marks or system licensed to Franchisee under the Agreement.

5. Enforcement of Obligations Under This Guarantee

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses (and any interest) whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding.

GUARANTORS:

Date: _____

Printed Name: _____

Home Address: _____

Date: _____

Printed Name: _____

Home Address: _____

EXHIBIT A-1

State Addenda

STATE-SPECIFIC ADDENDA TO THE FDD

1. California
2. Hawaii
3. Illinois
4. Maryland
5. New York
6. Virginia
7. Washington

CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

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

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

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

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

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043). **OUR WEBSITE HAS NOT BEEN REVIEWED OR**

APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

The highest interest rate allowed by law in California is ten percent (10%) annually.

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE

ILLINOIS ADDENDUM
TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.
3. The conditions under which your Franchise may be terminated and your rights upon nonrenewal of a Franchise are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Our termination of the License Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

Franchise Compliance Questionnaire:

The representations under this Franchise Compliance Questionnaire are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Additional Disclosures:

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

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Cover Page, Additional Disclosure.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3, Additional Disclosure. The last sentence in Item 3 is deleted and replaced with the following:

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17, Additional Disclosures.

The following is added to the Summary sections of Item 17(c) and 17(m): To the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

The Summary section of Item 17(d) is deleted and replaced with the following language: You may terminate the agreement on any grounds available by law.

The following is added to the Summary section of Item 17(j): No assignment will be made except to an assignee who in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

The following is added to the Summary sections of Items 17(v) and 17(w): The foregoing choice of law should not be considered a waiver of any right conferred

upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

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

Additional Disclosures:

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

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure:

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

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

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

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

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

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

STATE-SPECIFIC ADDENDA TO THE FRANCHISE AGREEMENT

1. California
2. Illinois
3. Maryland
4. New York
5. Virginia
6. Washington

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

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

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

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

[Signature Page Follows]

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.

The conditions under which your Franchise may be terminated and your rights upon nonrenewal of a Franchise are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

2. The following sentence is Section 23.2 is hereby deleted, to the extent required by Maryland law:

“Operator acknowledges that it is entering into this Agreement as a result of its own independent investigation of the franchised business and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Operator pursuant to applicable law.”

3. Section 23.3 of the Franchise Agreement is hereby deleted, to the extent required by Maryland law.

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

5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Agreement, to the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Agreement.

3. Except as expressly modified by this Addendum, the Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Agreement. In the event of any conflict between this Addendum and the Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

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

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT,
QUESTIONNAIRE, AND RELATED AGREEMENTS**

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

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

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

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

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

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

[Signature Page Follows]

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

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

EXHIBIT B

Reserved

EXHIBIT A-1

State Addenda

STATE-SPECIFIC ADDENDA TO THE FDD

1. California
2. Hawaii
3. Illinois
4. Maryland
5. New York
6. Virginia
7. Washington

CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

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

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

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

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

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043). OUR WEBSITE HAS NOT BEEN REVIEWED OR

APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

The highest interest rate allowed by law in California is ten percent (10%) annually.

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE

ILLINOIS ADDENDUM
TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.
3. The conditions under which your Franchise may be terminated and your rights upon nonrenewal of a Franchise are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Our termination of the License Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

Franchise Compliance Questionnaire:

The representations under this Franchise Compliance Questionnaire are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Additional Disclosures:

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

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Cover Page, Additional Disclosure.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3, Additional Disclosure. The last sentence in Item 3 is deleted and replaced with the following:

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17, Additional Disclosures.

The following is added to the Summary sections of Item 17(c) and 17(m): To the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

The Summary section of Item 17(d) is deleted and replaced with the following language: You may terminate the agreement on any grounds available by law.

The following is added to the Summary section of Item 17(j): No assignment will be made except to an assignee who in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

The following is added to the Summary sections of Items 17(v) and 17(w): The foregoing choice of law should not be considered a waiver of any right conferred

upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

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

Additional Disclosures:

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

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure:

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

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

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

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

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

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

STATE-SPECIFIC ADDENDA TO THE FRANCHISE AGREEMENT

1. California
2. Illinois
3. Maryland
4. New York
5. Virginia
6. Washington

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

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

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

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

[Signature Page Follows]

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.

The conditions under which your Franchise may be terminated and your rights upon nonrenewal of a Franchise are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

2. The following sentence in Section 23.2 is hereby deleted, to the extent required by Maryland law:

“Operator acknowledges that it is entering into this Agreement as a result of its own independent investigation of the franchised business and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Operator pursuant to applicable law.”

3. Section 23.3 of the Franchise Agreement is hereby deleted, to the extent required by Maryland law.

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

5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Agreement, to the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Agreement.

3. Except as expressly modified by this Addendum, the Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Agreement. In the event of any conflict between this Addendum and the Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

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

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT,
QUESTIONNAIRE, AND RELATED AGREEMENTS**

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

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

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

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

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

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

[Signature Page Follows]

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

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR:

FRANCHISEE:

L & L Franchise, Inc.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

EXHIBIT B

Reserved

EXHIBIT C

Financial Statements

THESE INTERIM FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.
PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE
ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE
FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THE
CONTENT OR FORM.

L & L FRANCHISE, INC.

Unaudited Balance Sheet

The financial statements of the Company have
been prepared on the cash basis of accounting.

From January 1 to March 31, 2024

ASSETS

| | |
|----------------------|----------------------------|
| Total Current Assets | 2,263,776.00 |
| Total Fixed Assets | 3,827,791.00 |
| Other Assets | <u>481,946.00</u> |
| Total Assets | <u><u>6,573,513.00</u></u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | |
|-----------------------------|----------------------------|
| Total Current Liabilities | 632,234.00 |
| Total Long-Term Liabilities | <u>-</u> |
| Total Liabilities | 632,234.00 |
| Total Equity | <u>5,941,279.00</u> |
| Total Liabilities & Equity | <u><u>6,573,513.00</u></u> |

These Financial Statements Have Been Prepared Without An Audit. Prospective Franchisees Or Sellers of Franchises Should Be Advised That No Independent Certified Public Accountant Has Audited These Figures Or Expressed An Opinion with Regard to their Content Or Form.

L & L FRANCHISE, INC.

Unaudited Statement of Income

The financial statements of the Company have
been prepared on the cash basis of accounting.

From January 1 to March 31, 2024

REVENUES

| | |
|----------------|----------------------------|
| Fee Income | 1,856,584.00 |
| Others | <u>412,867.00</u> |
| Total Revenues | <u><u>2,269,451.00</u></u> |

EXPENSES

| | |
|----------------------------|--------------------------|
| General and Administrative | 1,122,257.00 |
| Other Expenses | <u>579,732.00</u> |
| Total Expenses | 1,701,989.00 |
| Net Income | <u><u>567,462.00</u></u> |

These Financial Statements Have Been Prepared Without An Audit. Prospective Franchisees Or Sellers of Franchises Should Be Advised That No Independent Certified Public Accountant Has Audited These Figures Or Expressed An Opinion with Regard to their Content Or Form.



L & L Franchise, Inc.

Financial Statements
(With Independent Auditors' Report Thereon)

December 31, 2023

L & L FRANCHISE, INC.

Financial Statements

December 31, 2023

Table of Contents

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|---|-------------|
| Independent Auditors' Report | 1 |
| Balance Sheet | 3 |
| Statement of Income and Retained Earnings | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 |

Independent Auditors' Report

The Board of Directors
L & L Franchise, Inc.:

Opinion

We have audited the financial statements of L & L Franchise, Inc. (a Hawaii corporation), which comprise the balance sheet as of December 31, 2023, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of L & L Franchise, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 L & L Franchise, Inc. 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 L & L Franchise, Inc.'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 auditors' 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 auditing standards generally accepted in the United States of America 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 L & L Franchise, Inc.'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 L & L Franchise, Inc.'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.

KKDL Y LLC

Honolulu, Hawaii
April 26, 2024

L & L FRANCHISE, INC.

Balance Sheet

December 31, 2023

Assets

| | |
|--|----------------------------|
| Current assets: | |
| Cash | \$ 1,142,048 |
| Restricted cash | 843,533 |
| Accounts receivable, less allowance for credit losses of \$271,813 | 1,491,991 |
| Rebates receivable | 221,608 |
| Notes receivable and accrued interest - current | 106,649 |
| Prepaid expenses and other | 63,496 |
| Total current assets | <u>3,869,325</u> |
| Investments | 599,724 |
| Property and equipment, net | 3,193,868 |
| Other property, net | 772,430 |
| Notes receivable and accrued interest - noncurrent | 330,358 |
| Total assets | <u><u>\$ 8,765,705</u></u> |

Liabilities and Stockholders' Equity

| | |
|---|----------------------------|
| Current liabilities: | |
| Accounts payable | \$ 58,895 |
| Gift cards payable | 109,478 |
| Accrued expenses | 144,296 |
| Deferred revenue - current | 154,666 |
| Deposits | 39,285 |
| Total current liabilities | <u>506,620</u> |
| Deferred revenue - noncurrent | 5,778 |
| Total liabilities | <u>512,398</u> |
| Stockholders' equity: | |
| Common stock - par value \$1 per share; 1,000 (100 voting and 900 non-voting) shares authorized, issued, and outstanding | 1,000 |
| Additional paid-in capital | 200,000 |
| Retained earnings | 8,052,307 |
| Total stockholders' equity | <u>8,253,307</u> |
| Commitments and contingencies | |
| Total liabilities and stockholders' equity | <u><u>\$ 8,765,705</u></u> |

See accompanying notes to financial statements.

L & L FRANCHISE, INC.

Statement of Income and Retained Earnings

Year Ended December 31, 2023

| | |
|---------------------------------------|---------------------|
| Revenues: | |
| Royalty and advertising fees | \$ 7,609,589 |
| Rebate income | 650,278 |
| Franchise fees | 365,500 |
| Other income | 143,055 |
| Total revenues | <u>8,768,422</u> |
| Operating expenses: | |
| Salaries and wages | 1,522,968 |
| Advertising | 1,479,291 |
| Professional fees | 372,486 |
| Insurance | 329,427 |
| Bad debt expense | 245,954 |
| Taxes and licenses | 231,802 |
| General and administration | 178,836 |
| Convention expenses | 164,879 |
| Travel | 148,280 |
| Profit sharing contribution | 82,657 |
| Contributions | 71,158 |
| Depreciation | 53,598 |
| Lease rent | 12,022 |
| Repairs and maintenance | 11,237 |
| Total operating expenses | <u>4,904,595</u> |
| Income from operations | <u>3,863,827</u> |
| Other income (expense): | |
| Rental income | 346,558 |
| Rental expense | (322,185) |
| Interest and dividend income | 67,834 |
| Net realized gain on investments | 8,081 |
| Gain on sale of assets | 649 |
| Other income | 9,627 |
| Total other income, net | <u>110,564</u> |
| Net income | 3,974,391 |
| Retained earnings - beginning of year | 7,527,916 |
| Distributions | <u>(3,450,000)</u> |
| Retained earnings - end of year | <u>\$ 8,052,307</u> |

See accompanying notes to financial statements.

L & L FRANCHISE, INC.

Statement of Cash Flows

Year Ended December 31, 2023

| | |
|---|----------------------------|
| Cash flows from operating activities: | |
| Net income | \$ 3,974,391 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 80,608 |
| Bad debt expense | 245,954 |
| Net realized gain on investments | (8,081) |
| Gain on sale of assets | (649) |
| Changes in assets and liabilities: | |
| Accounts receivable | (495,147) |
| Rebates receivable | 27,805 |
| Prepaid expenses and other | 117,502 |
| Notes receivable and accrued interest | 117,349 |
| Accounts payable | 21,458 |
| Gift cards payable | 7,057 |
| Accrued expenses | 19,904 |
| Deferred revenues | (89,667) |
| Deposits, net | 13,750 |
| Net cash provided by operating activities | <u>4,032,234</u> |
| Cash flows from investing activity: | |
| Proceeds from sale of investment securities | 1,574,162 |
| Purchases of investment securities | (1,781,993) |
| Purchases of property and equipment and other assets | (37,832) |
| Proceeds from sale of assets | 19,000 |
| Net cash used in investing activities | <u>(226,663)</u> |
| Cash flows used in financing activities: | |
| Distributions to stockholders | <u>(3,450,000)</u> |
| Net increase in cash and restricted cash | 355,571 |
| Cash and restricted cash at beginning of year | <u>1,630,010</u> |
| Cash and restricted cash at end of year | <u><u>\$ 1,985,581</u></u> |

See accompanying notes to financial statements.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

(1) Summary of Significant Accounting Policies

Nature of Activities

L & L Franchise, Inc. (the Company) was incorporated in March 1991 in the State of Hawaii. The Company is the franchisor of a restaurant chain with national and international locations. The Company collects franchise, royalty, and advertising fees from the owner(s) of each restaurant and in return provides advertising, marketing, and administrative and operational support.

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

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

Recently Adopted Accounting Standard

In June 2016, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (Topic 326), which requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. Topic 326 is intended to improve financial reporting by requiring earlier recognition of credit losses on certain financial assets including trade and financing receivables. Topic 326 replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. Additionally, from 2016 through 2023, the FASB issued additional related ASUs that provide further guidance and clarification and become effective for the Company upon the adoption of ASU 2016-13.

The Company adopted ASU 2016-13 and its related ASUs effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities less than three months at the date of purchase to be cash equivalents. The Company held no cash equivalents at December 31, 2023.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

Restricted Cash

Restricted cash consists of funds contractually restricted and set aside exclusively for the payment of advertising fees for the franchisees and convention expenses. The Company has presented restricted cash separately from cash in the accompanying balance sheet.

Accounts Receivable

Accounts receivable, net of allowance for credit losses, consists primarily of accrued royalty and advertising fee receivables, initial franchise fees, and vendor rebates. Accounts receivable do not bear interest. Management determines the allowance for credit losses based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables, which are charged off against the existing allowance account when determined to be uncollectible.

As of January 1, 2023, the Company maintained an allowance for credit losses to cover its current and expected credit losses on its receivables arising from the failure of customers or vendors to make contractual payments. The Company estimates credit losses expected over the life of the receivable based on historical information combined with current conditions that may affect a customer's ability to pay and reasonable and supportable forecasts. While the Company uses various credit quality metrics, it primarily monitors collectability by reviewing the duration of collection pursuits on its delinquent accounts receivable. Based on the Company's experience, the customer's delinquency status is the strongest indicator of the credit quality of the underlying trade receivable, which is analyzed monthly. In most instances, the Company's policy is to write-off accounts receivables when they are deemed uncollectible. The Company does not have any off-balance sheet credit exposures.

Investments

Investment securities at December 31, 2023 consists of federal agency securities. The Company classifies its debt securities in one of three categories: trading, available-for-sale (AFS), or held-to-maturity (HTM). Trading securities are bought and held principally for the purpose of selling them in the near term. HTM securities are those securities in which the Company has the ability and intent to hold the security until maturity. All securities not included in trading or HTM are classified as AFS. As of December 31, 2023, all investment securities are classified as HTM.

HTM debt securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Declines in the fair value of HTM debt securities below their cost that are deemed to be other than temporary impairment losses are reflected in other income (expense) as realized losses on investment securities.

Premiums and discounts on debt securities are amortized or accreted over the life of the related HTM as an adjustment to yield using the effective-interest method. Such amortization and accretion is included in interest and dividend income in the accompanying statement of income and retained earnings. Interest income is recognized when earned.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

Property and Equipment and Other Property

Property and equipment and other property are stated at cost. Depreciation of property and equipment and other property is provided using the straight-line method over the estimated useful lives of the respective assets, as follows:

| | Estimated Useful Lives |
|-------------------------|-----------------------------------|
| Real estate | 39 years |
| Furniture and equipment | 5 - 7 years |
| Automobile | 5 years |

Repairs and maintenance costs are charged directly to expense, and expenditures for major improvements and additions are capitalized. Cost and accumulated depreciation of property and equipment and other property retired or otherwise disposed of are eliminated from the accounts at the time of retirement or sale, and profit or loss, if any, is credited or charged to income.

Gift Cards

The Company has gift card service agreements to receive and hold the proceeds of gift card sales until a customer uses the card to purchase items from a participating franchisee. When a customer uses a gift card to purchase items from a participating franchisee, the participating franchisee is obligated to accept the gift card as payment for its items and the Company is obligated to reimburse the participating franchisee for the sales price of the items purchased with the gift card. The Company is primarily liable to the customer for the value of the gift card until the card is redeemed. When the gift cards are issued, a liability is recorded by the Company. When the gift cards are redeemed and the participating franchisee is reimbursed there is an offset of the liability account and payment to the participating franchisee.

Leases

The Company is a lessee under several long-term non-cancellable operating leases. The Company accounts for leases in accordance with FASB's ASU 2016-02, *Leases (Topic 842)* (ASC 842).

The Company recognizes a right-of-use (ROU) asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of income and retained earnings. The accounting applied by a lessor under the new guidance is substantially equivalent to prior lease accounting guidance. The Company adopted Topic 842 effective January 1, 2022 using a modified retrospective transition approach and has elected to use the available package of practical expedients.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

The Company has elected the short-term lease recognition exemption for all leases that qualify, which means that the Company did not recognize ROU assets or lease liabilities for leases with a term of 12 months or less. The Company recognizes the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term. The Company also combined lease and non-lease components in the contract for both lessee and lessor arrangements. The Company adopted ASC 842 effective January 1, 2022. The adoption of ASC 842 did not have a material effect on the Company's financial statements for the year ended December 31, 2023.

Revenue Recognition

Included in the Company's revenues are fees from restaurants operated by franchisees. The Company grants franchises to operators who in turn pay franchise, royalty, and advertising fees, for each restaurant. The franchise fee is a one-time fee which is paid prior to the opening of the restaurant. Advertising fees are a fixed monthly fee for restaurants located in Hawaii, and a percentage of monthly sales for restaurants not located in Hawaii. Royalty fees are based on a percentage of monthly sales and are recognized as income on the accrual basis. Management, at their discretion, can waive any of the above mentioned fees.

Under the terms of the franchise agreements, the Company typically promises to provide pre-opening activities such as training courses and use of operational manuals, and post-opening activities such as supervision by a team of corporate chefs and trainers upon restaurant opening. The Company has determined that the pre-opening activities, and the post-opening activities, represent two separate performance obligations. Franchise fee revenue is allocated to the two separate performance obligations. Revenue allocated to pre-opening and post-opening activities is recognized when these services are performed.

Rebate income received from vendors is based on the volume of sales of the product and is recorded in the period of sale. Initial fees from vendors are classified as deferred revenue and straight lined over the life of the contract.

Rentals are reported as rental income on a straight-line basis over the term of the lease.

Advertising

Advertising expense is comprised of promotional, media, agency, and production costs. Advertising expenses are expensed when incurred. Advertising expense for the year ended December 31, 2023 amounted to \$1,479,291.

Income Taxes

The Company has elected to be treated as an S Corporation for federal and state income tax reporting purposes. Accordingly, in lieu of corporate income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability has been included in the financial statements.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

Uncertain Tax Positions

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Management has determined that the Company does not have uncertain tax positions that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its stockholders will not be subject to additional tax, penalties, and interest as a result of such challenge. With few exceptions, the Company is no longer subject to U.S. federal examinations by tax authorities for years ended December 31, 2019 and prior.

Long-Lived Assets

Long-lived assets, such as property and equipment and other property, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recognized in the year ended December 31, 2023.

(2) Concentration of Credit Risk

The Company maintains its cash balances at one financial institution located in Hawaii. At times and as of the balance sheet date, such deposits were in excess of federally insured limits.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

(3) Investment Securities

The carrying amount, gross unrealized holding gains (losses), and fair value of HTM debt securities at December 31, 2023, are as follows:

| | Amortized Cost Basis | Gross Unrealized Holding Gains | Gross Unrealized Holding (losses) | Aggregate Fair Value |
|----------------------------|---------------------------------|---|--|---------------------------------|
| U.S. Government - Treasury | <u>\$ 599,724</u> | <u>\$ 26,576</u> | <u>\$ -</u> | <u>\$ 626,300</u> |

Maturities of HTM debt securities at December 31, 2023, are as follows:

| | Carrying amount | Fair value |
|---------------------------------------|----------------------------|-------------------|
| Due in one year or less | \$ - | \$ - |
| Due after one year through five years | <u>599,724</u> | <u>626,300</u> |
| | <u>\$ 599,724</u> | <u>\$ 626,300</u> |

Management evaluates securities for other-than-temporary impairment when economic or market concerns warrant such evaluation. Consideration is given to (1) length of time and extent to which the fair value has been less than cost, and (2) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. There were no debt securities with gross unrealized losses at December 31, 2023.

The federal agency securities are guaranteed by federal government agencies.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

(4) Property and Equipment

Property and equipment at December 31, 2023 consist of the following:

| | | |
|--------------------------------|----|------------------|
| Real estate | \$ | 3,098,353 |
| Furniture and equipment | | 260,944 |
| Automobile | | 27,483 |
| | | <u>3,386,780</u> |
| Less: accumulated depreciation | | <u>(192,912)</u> |
| | \$ | <u>3,193,868</u> |

Depreciation expense for the year ended December 31, 2023 totaled \$53,598, and is included in depreciation expense in the accompanying statement of income and retained earnings.

As of December 31, 2023, the Company did not have open commitments to contractors for renovations on work to be performed.

(5) Other Property

Other property, which relates to rental activities, at December 31, 2023 consist of the following:

| | | |
|--------------------------------|----|------------------|
| Real estate | \$ | 1,165,350 |
| Furniture and equipment | | 12,384 |
| | | <u>1,177,734</u> |
| Less: accumulated depreciation | | <u>(405,304)</u> |
| | \$ | <u>772,430</u> |

Depreciation expense for these rental properties totaled \$27,010 for the year ended December 31, 2023 and is included in rental expense in the accompanying statement of income and retained earnings.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

(6) Revenue

Franchise and Related Revenue

The Company has franchised restaurants in markets in which it considers expansion to be of benefit. Franchisees bear all direct costs involved in the development, construction, and operation of their restaurants. The Company provides franchisees support for architectural plans, interior and exterior design and layout, training, marketing, and opening assistance. The current standard franchise agreement generally provides for payment to the Company of a nonrefundable franchise fee of \$15,000 to \$30,000 dependent on location and the number of restaurants opened by the franchisee. Franchise revenues are recognized when performance obligations are met.

In addition to the initial franchise fee, the agreement generally provides for royalties of 1% to 3% of monthly gross sales and a monthly advertising fee of \$310 - \$315 for franchises in Hawaii or 1% of monthly gross sales for franchises outside of Hawaii.

Royalty income is recognized during the respective franchise agreement based on the royalties earned each month as the underlying franchise store sales occur. Since the Company acts as the principal and generally oversees all advertising programs with sole discretion over the creative concepts, materials, and media used in such programs and the placement and allocation thereof, the Company records advertising fees in revenues and advertising expenditures in expense as incurred in the accompanying statement of income and retained earnings.

Franchisees may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. A franchise agreement is signed with the new franchisee with no franchise fee required.

Rebate Revenue

As part of the Company's franchise agreements, the franchisee purchases products and supplies from designated vendors. The Company may receive various fees and rebates from the vendors on product purchases by franchisees. Additionally, the Company may collect various initial fees, which are classified as deferred revenue in the accompanying balance sheet. The Company does not possess control of the products prior to their transfer to the franchisee and products are delivered to franchisees directly from the vendor. The Company recognizes the rebates as franchisees purchase products and supplies from vendors and recognizes initial fees over the contract life.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

(7) Notes Receivable and Accrued Interest

Notes receivable and accrued interest at December 31, 2023 consist of the following:

Interest bearing note receivable of \$292,151; monthly principal and interest payments of \$5,000; interest accrues at 6% per annum; principal balance plus unpaid interest until paid in full; secured by the assets of property in Tennessee and ownership interests in corporations in Fresno, California and San Marcos, California

| | | |
|--|----|---------|
| | \$ | 171,767 |
|--|----|---------|

Interest bearing note receivable of \$175,000; monthly principal and interest payments of \$1,600; interest accrues at 5% per annum; principal balance plus unpaid interest until paid in full; secured by the assets of property in Colorado and ownership interest in a corporation in Aurora, Colorado

| | |
|--|---------|
| | 151,433 |
|--|---------|

Interest bearing note receivable of \$150,000; monthly principal and interest payments of \$2,500; interest accrues at 8% per annum; principal balance plus interest due until paid in full; secured by the assets of a certain business in National City, California

| | |
|--|--------|
| | 93,512 |
|--|--------|

Interest bearing note receivable of \$153,749; monthly principal and interest payments of \$2,000; interest accrues at 8% per annum; principal balance plus unpaid interest until paid in full; personally guaranteed by the borrowers and secured by real estate located in San Diego, California

| | |
|--|-------|
| | 8,446 |
|--|-------|

Interest bearing note receivable of \$153,749; monthly principal and interest payments of \$2,000; interest accrues at 8% per annum; principal balance plus unpaid interest until paid in full; personally guaranteed by the borrowers and secured by real estate located in San Diego, California

| | |
|--|---------------|
| | <u>11,849</u> |
|--|---------------|

| | |
|--|--------------------------|
| Total notes receivable and accrued interest | 437,007 |
| Less: current portion | <u>(106,649)</u> |
| Notes receivable and accrued interest - noncurrent | <u><u>\$ 330,358</u></u> |

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

(8) Related Party Transactions

The Company is related to various companies and individuals through financial interests and management control.

Certain franchises of the Company are owned by stockholders of the Company, their trust, or an immediate family member. Total revenues earned from these franchises during 2023 amounted to \$713,292. Total receivables owed from these franchises totaled \$165,702 as of December 31, 2023. During the year, certain royalty fees were waived for two franchises owned by a related party.

As of December 31, 2023, the Company owed \$2,500 to a related party which was subsequently paid in January 2024.

(9) Lease Commitments

The Company leases office space and other real estate in Hawaii to tenants under noncancelable operating leases with terms expiring at various dates through December 2027. There are no options to extend these leases for additional terms.

The following is a schedule of future minimum rentals under all noncancelable operating leases:

| Year Ending December 31: | |
|---------------------------------|-------------------|
| 2024 | \$ 107,691 |
| 2025 | 42,450 |
| 2026 | 27,545 |
| 2027 | 22,960 |
| | <u>\$ 200,646</u> |

Rental income amounted to \$346,558 for the year ended December 31, 2023.

(10) Employee Benefit Plan

The Company has a profit sharing plan covering all eligible employees with a minimum age of 21 and who have completed one year of service in which the employee completed at least 1,000 hours of service. The Company may make discretionary contributions as determined by the Board of Directors up to the maximum contribution calculated in accordance with plan provisions, employee data, and government regulations. Total contributions for the year ended December 31, 2023 amounted to \$82,657.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2023

(11) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through April 26, 2024, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.



L & L Franchise, Inc.

Financial Statements
(With Independent Auditors' Report Thereon)

December 31, 2022

L & L FRANCHISE, INC.

Financial Statements

December 31, 2022

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Independent Auditors' Report

The Board of Directors
L & L Franchise, Inc.:

Opinion

We have audited the financial statements of L & L Franchise, Inc. (a Hawaii corporation), which comprise the balance sheet as of December 31, 2022, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to financial statements.

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

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 L & L Franchise, Inc. 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 L & L Franchise, Inc.'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 auditors' 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 auditing standards generally accepted in the United States of America 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 L & L Franchise, Inc.'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 L & L Franchise, Inc.'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.

KKDL Y LLC

Honolulu, Hawaii
April 19, 2023

L & L FRANCHISE, INC.

Balance Sheet

December 31, 2022

Assets

| | |
|--|----------------------------|
| Current assets: | |
| Cash | \$ 840,521 |
| Restricted cash | 789,489 |
| Accounts receivable, less allowance for doubtful accounts of \$117,953 | 1,242,798 |
| Rebates receivable | 249,413 |
| Investments | 383,812 |
| Notes receivable and accrued interest - current | 125,547 |
| Prepaid expenses and other | 180,998 |
| | <hr/> |
| Total current assets | 3,812,578 |
| Property and equipment, net | 3,480,204 |
| Other property, net | 547,221 |
| Notes receivable and accrued interest - noncurrent | 428,809 |
| Deposits | 4,350 |
| | <hr/> |
| Total assets | <u><u>\$ 8,273,162</u></u> |

Liabilities and Stockholders' Equity

| | |
|--|----------------------------|
| Current liabilities: | |
| Accounts payable | \$ 37,437 |
| Gift cards payable | 102,421 |
| Accrued expenses | 124,392 |
| Deferred revenue - current | 209,667 |
| Deposits | 29,885 |
| | <hr/> |
| Total current liabilities | 503,802 |
| Deferred revenue - noncurrent | 40,444 |
| | <hr/> |
| Total liabilities | 544,246 |
| Stockholders' equity: | |
| Common stock - par value \$1 per share; 1,000 (100 voting and 900 non-voting) shares authorized, issued, and outstanding | 1,000 |
| Additional paid-in capital | 200,000 |
| Retained earnings | 7,527,916 |
| | <hr/> |
| Total stockholders' equity | 7,728,916 |
| Commitments and contingencies | |
| | <hr/> |
| Total liabilities and stockholders' equity | <u><u>\$ 8,273,162</u></u> |

See accompanying notes to financial statements.

L & L FRANCHISE, INC.

Statement of Income and Retained Earnings

Year Ended December 31, 2022

| | |
|---|---------------------|
| Revenues: | |
| Royalty and advertising fees | \$ 6,788,246 |
| Rebate income | 636,158 |
| Franchise fees | 233,000 |
| Other income | 141,785 |
| Total revenues | <u>7,799,189</u> |
| Operating expenses: | |
| Salaries and wages | 1,343,287 |
| Advertising | 1,331,210 |
| Professional fees | 362,951 |
| Insurance | 292,612 |
| Taxes and licenses | 207,648 |
| Convention expenses | 186,386 |
| General and administration | 152,414 |
| Bad debt expense | 126,358 |
| Travel | 122,161 |
| Repairs and maintenance | 101,832 |
| Contributions | 70,052 |
| Profit sharing contribution | 69,197 |
| Depreciation | 42,734 |
| Lease rent | 19,738 |
| Total operating expenses | <u>4,428,580</u> |
| Income from operations | <u>3,370,609</u> |
| Other income (expense): | |
| Rental income | 260,354 |
| Rental expense | (228,619) |
| Interest and dividend income | 52,384 |
| Net realized and unrealized loss on investment securities | (42,461) |
| Loss on sale of assets | (8,689) |
| Other income | 35,298 |
| Total other income, net | <u>68,267</u> |
| Net income | 3,438,876 |
| Retained earnings - beginning of year | 6,889,040 |
| Distributions | <u>(2,800,000)</u> |
| Retained earnings - end of year | <u>\$ 7,527,916</u> |

See accompanying notes to financial statements.

L & L FRANCHISE, INC.

Statement of Cash Flows

Year Ended December 31, 2022

| | |
|---|----------------------------|
| Cash flows from operating activities: | |
| Net income | \$ 3,438,876 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 63,598 |
| Bad debt expense | 126,358 |
| Net realized loss on investments | 42,461 |
| Loss on sale of assets | 8,689 |
| Changes in assets and liabilities: | |
| Accounts receivable | (416,051) |
| Rebates receivable | (54,221) |
| Prepaid expenses and other | (87,640) |
| Notes receivable and accrued interest | 112,225 |
| Accounts payable | (39,869) |
| Gift cards payable | (57,438) |
| Accrued expenses | 4,876 |
| Deferred revenues | 15,333 |
| Deposits | 29,885 |
| Net cash provided by operating activities | <u>3,187,082</u> |
| Cash flows from investing activities: | |
| Purchases of property and equipment and other assets | (394,108) |
| Proceeds from sale of assets | 40,000 |
| Proceeds from sale of investment securities | 1,156,740 |
| Purchases of investment securities | (667,250) |
| Net cash provided by investing activities | <u>135,382</u> |
| Cash flows used in financing activities: | |
| Distributions to stockholders | (2,800,000) |
| Payments on advances from related parties | (500,000) |
| Net cash used in financing activities | <u>(3,300,000)</u> |
| Net increase in cash and restricted cash | 22,464 |
| Cash and restricted cash at beginning of year | <u>1,607,546</u> |
| Cash and restricted cash at end of year | <u><u>\$ 1,630,010</u></u> |

See accompanying notes to financial statements.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2022

(1) Summary of Significant Accounting Policies

Nature of Activities

L & L Franchise, Inc. (the Company) was incorporated in March 1991 in the State of Hawaii. The Company is the franchisor of a restaurant chain with national and international locations. The Company collects franchise, royalty, and advertising fees from the owner(s) of each restaurant and in return provides advertising, marketing, and administrative and operational support.

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

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

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances and does not bear interest. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Company does not have any off-balance-sheet credit exposure related to their franchises. Certain receivables have been converted to interest bearing notes.

Investments

Investments at December 31, 2022 consist of certificates of deposits carried at original cost plus accrued interest, which approximates fair value.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2022

Property and Equipment and Other Property

Property and equipment and other property are stated at cost. Depreciation of property and equipment and other property is provided using the straight-line method over the estimated useful lives of the respective assets, as follows:

| | Estimated Useful Lives |
|-------------------------|-----------------------------------|
| Real estate | 39 years |
| Furniture and equipment | 5 - 7 years |
| Automobile | 5 years |

Repairs and maintenance costs are charged directly to expense, and expenditures for major improvements and additions are capitalized. Cost and accumulated depreciation of property and equipment and other property retired or otherwise disposed of are eliminated from the accounts at the time of retirement or sale, and profit or loss, if any, is credited or charged to income.

Gift Cards

The Company has gift card service agreements to receive and hold the proceeds of gift card sales until a customer uses the card to purchase items from a participating franchisee. When a customer uses a gift card to purchase items from a participating franchisee, the participating franchisee is obligated to accept the gift card as payment for its items and the Company is obligated to reimburse the participating franchisee for the sales price of the items purchased with the gift card. The Company is primarily liable to the customer for the value of the gift card until the card is redeemed. When the gift cards are issued, a liability is recorded by the Company. When the gift cards are redeemed and the participating franchisee is reimbursed there is an offset of the liability account and payment to the participating franchisee.

Revenue Recognition

Included in the Company's revenues are fees from restaurants operated by franchisees. The Company grants franchises to operators who in turn pay franchise, royalty, and advertising fees, for each restaurant. The franchise fee is a one-time fee which is paid prior to the opening of the restaurant. Advertising fees are a fixed monthly fee for restaurants located in Hawaii, and a percentage of monthly sales for restaurants not located in Hawaii. Royalty fees are based on a percentage of monthly sales and are recognized as income on the accrual basis. Management, at their discretion, can waive any of the above mentioned fees.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2022

Under the terms of the franchise agreements, the Company typically promises to provide pre-opening activities such as training courses and use of operational manuals, and post-opening activities such as supervision by a team of corporate chefs and trainers upon restaurant opening. The Company has determined that the pre-opening activities, and the post-opening activities, represent two separate performance obligations. Franchise fee revenue is allocated to the two separate performance obligations. Revenue allocated to pre-opening and post-opening activities is recognized when these services are performed.

Rebate income received from vendors is based on the volume of sales of the product and is recorded in the period of sale. Initial fees from vendors are classified as deferred revenue and straight lined over the life of the contract.

Rentals are reported as rental income on a straight-line basis over the term of the lease.

Advertising

Advertising expense is comprised of promotional, media, agency, and production costs. Advertising expenses are expensed when incurred. Advertising expense for the year ended December 31, 2022 amounted to \$1,331,210.

Income Taxes

The Company has elected to be treated as an S Corporation for federal and state income tax reporting purposes. Accordingly, in lieu of corporate income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability has been included in the financial statements.

Uncertain Tax Positions

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Management has determined that the Company does not have uncertain tax positions that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its stockholders will not be subject to additional tax, penalties, and interest as a result of such challenge. With few exceptions, the Company is no longer subject to U.S. federal examinations by tax authorities for years ended December 31, 2018 and prior.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2022

Long-Lived Assets

Long-lived assets, such as property and equipment and other property, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recognized in the year ended December 31, 2022.

Recently Adopted Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of income and retained earnings. The accounting applied by a lessor under the new guidance is substantially equivalent to prior lease accounting guidance. The Company adopted Topic 842 effective January 1, 2022 using a modified retrospective transition approach and has elected to use the available package of practical expedients.

The Company has elected the short-term lease recognition exemption for all leases that qualify, which means that the Company did not recognize ROU assets or lease liabilities for leases with a term of 12 months or less. The Company recognizes the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term. The Company also combined lease and non-lease components in the contract for both lessee and lessor arrangements. The adoption of ASU 2016-02 did not have a material effect on the Company's financial statements for the year ended December 31, 2022.

(2) Concentration of Credit Risk

The Company maintains its cash balances at one financial institution located in Hawaii. At times and as of the balance sheet date, such deposits were in excess of federally insured limits.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2022

(3) Property and Equipment

Property and equipment at December 31, 2022 consist of the following:

| | | |
|--------------------------------|----|-------------------------|
| Real estate | \$ | 3,478,594 |
| Furniture and equipment | | 250,595 |
| Automobile | | <u>60,131</u> |
| | | 3,789,320 |
| Less: accumulated depreciation | | <u>(309,116)</u> |
| | \$ | <u><u>3,480,204</u></u> |

Depreciation expense for the year ended December 31, 2022 totaled \$42,734, and is included in depreciation expense in the accompanying statement of income and retained earnings.

As of December 31, 2022, the Company did not have open commitments to contractors for renovations on work to be performed.

(4) Other Property

Other property, which relates to rental activities, at December 31, 2022 consist of the following:

| | | |
|--------------------------------|----|-----------------------|
| Real estate | \$ | 785,109 |
| Furniture and equipment | | <u>12,384</u> |
| | | 797,493 |
| Less: accumulated depreciation | | <u>(250,272)</u> |
| | \$ | <u><u>547,221</u></u> |

Depreciation expense for these rental properties totaled \$20,864 for the year ended December 31, 2022 and is included in rental expense in the accompanying statement of income and retained earnings.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2022

(5) Revenue

Franchise and Related Revenue

The Company has franchised restaurants in markets in which it considers expansion to be of benefit. Franchisees bear all direct costs involved in the development, construction, and operation of their restaurants. The Company provides franchisees support for architectural plans, interior and exterior design and layout, training, marketing, and opening assistance. The current standard franchise agreement generally provides for payment to the Company of a nonrefundable franchise fee of \$15,000 to \$30,000 dependent on location and the number of restaurants opened by the franchisee. Franchise revenues are recognized when performance obligations are met. Franchise fees, included in revenues in the accompanying statement of income and retained earnings, totaled \$233,000 for 2022.

In addition to the initial franchise fee, the agreement generally provides for royalties of 1% to 3% of monthly gross sales and a monthly advertising fee of \$305 - \$310 for franchises in Hawaii or 1% of monthly gross sales for franchises outside of Hawaii.

Royalty income is recognized during the respective franchise agreement based on the royalties earned each month as the underlying franchise store sales occur. Since the Company acts as the principal and generally oversees all advertising programs with sole discretion over the creative concepts, materials, and media used in such programs and the placement and allocation thereof, the Company records advertising fees in revenues and advertising expenditures in expense as incurred in the accompanying statement of income and retained earnings.

Franchisees may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. A franchise agreement is signed with the new franchisee with no franchise fee required.

Rebate Revenue

As part of the Company's franchise agreements, the franchisee purchases products and supplies from designated vendors. The Company may receive various fees and rebates from the vendors on product purchases by franchisees. Additionally, the Company may collect various initial fees, which are classified as deferred revenue in the accompanying balance sheet. The Company does not possess control of the products prior to their transfer to the franchisee and products are delivered to franchisees directly from the vendor. The Company recognizes the rebates as franchisees purchase products and supplies from vendors and recognizes initial fees over the contract life.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2022

(6) Notes Receivable and Accrued Interest

Notes receivable and accrued interest at December 31, 2022 consist of the following:

| | |
|--|-------------------|
| Interest bearing note receivable of \$292,151; monthly principal and interest payments of \$5,000; interest accrues at 6% per annum; entire principal balance plus unpaid interest due in full no later than September 2026; secured by the assets of property in Tennessee and ownership interests in corporations in Fresno, California and San Marcos, California | \$ 215,120 |
| Interest bearing note receivable of \$175,000; monthly principal and interest payments of \$1,600; interest accrues at 5% per annum; entire principal balance plus unpaid interest due in full no later than December 2024; secured by the assets of property in Colorado and ownership interest in a corporation in Aurora, Colorado | 161,831 |
| Interest bearing note receivable of \$150,000; monthly principal and interest payments of \$2,500; interest accrues at 8% per annum; principal balance plus interest due until paid in full; secured by the assets of a certain business in National City, California | 112,683 |
| Interest bearing note receivable of \$153,749; monthly principal and interest payments of \$2,000; interest accrues at 8% per annum; entire principal balance plus unpaid interest due in full no later than December 2023; personally guaranteed by the borrowers and secured by real estate located in San Diego, California | 33,932 |
| Interest bearing note receivable of \$153,749; monthly principal and interest payments of \$2,000; interest accrues at 8% per annum; entire principal balance plus unpaid interest due in full no later than November 2023; personally guaranteed by the borrowers and secured by real estate located in San Diego, California | 30,790 |
| Total notes receivable and accrued interest | 554,356 |
| Less: current portion | (125,547) |
| Notes receivable and accrued interest - noncurrent | <u>\$ 428,809</u> |

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2022

(7) Related Party Transactions

The Company is related to various companies and individuals through financial interests and management control.

Certain franchises of the Company are owned by stockholders of the Company, their trust, or an immediate family member. Total revenues earned from these franchises during 2022 amounted to \$670,771. Total receivables owed from these franchises totaled \$114,826 as of December 31, 2022. During the year, certain royalty fees were waived for two franchises owned by a related party.

The Company received non-interest bearing advances totaling \$500,000 from two stockholders of the Company. These advances from stockholders were repaid in March 2022.

(8) Lease Commitments - Lessor

The Company leases office space and other real estate in Hawaii to tenants under noncancelable operating leases with terms expiring at various dates through August 2024. There are no options to extend these leases for additional terms.

The following is a schedule of future minimum rentals under all noncancelable operating leases:

| Year Ending December 31: | |
|--------------------------|------------------|
| 2023 | \$ 52,618 |
| 2024 | 15,079 |
| | <u>\$ 67,697</u> |

Rental income amounted to \$260,354 for the year ended December 31, 2022.

(9) Employee Benefit Plan

The Company has a profit sharing plan covering all eligible employees with a minimum age of 21 and who have completed one year of service in which the employee completed at least 1,000 hours of service. The Company may make discretionary contributions as determined by the Board of Directors up to the maximum contribution calculated in accordance with plan provisions, employee data, and government regulations. Total contributions for the year ended December 31, 2022 amounted to \$69,197.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2022

(10) Economic Uncertainties

The Company's operations have been and will continue to be affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The COVID-19 outbreak has caused business disruption through mandated governmental restrictions reducing customer traffic to the franchises. Such restrictions and directives, together with the recent geopolitical events and rising inflation, have adversely affected the global economy by, among other things, disrupting supply chains, lowering equity market valuations, creating significant volatility and disruptions in financial markets, and increasing costs and unemployment levels. The extent to which the disruption will ultimately impact the Company's financial position, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted, including the duration and severity of these matters.

(11) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through April 19, 2023, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.



L & L Franchise, Inc.

Financial Statements
(With Independent Auditors' Report Thereon)

December 31, 2021

L & L FRANCHISE, INC.

Financial Statements

December 31, 2021

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Independent Auditors' Report

The Board of Directors
L & L Franchise, Inc.:

Opinion

We have audited the accompanying financial statements of L & L Franchise, Inc. (a Hawaii corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to financial statements.

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

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 L & L Franchise, Inc. 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 L & L Franchise, Inc.'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 auditors' 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 auditing standards generally accepted in the United States of America 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 reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 L & L Franchise, Inc.'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 L & L Franchise, Inc.'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.

KKDL Y LLC

Honolulu, Hawaii
April 18, 2022

L & L FRANCHISE, INC.

Balance Sheet

December 31, 2021

Assets

| | |
|--|----------------------------|
| Current assets: | |
| Cash | \$ 641,844 |
| Restricted cash | 965,702 |
| Accounts receivable, less allowance for doubtful accounts of \$454,973 | 953,105 |
| Rebates receivable | 195,192 |
| Investment securities | 915,763 |
| Prepaid expenses and other | <u>93,358</u> |
| Total current assets | 3,764,964 |
| Property and equipment, net | 3,177,519 |
| Other property, net | 568,085 |
| Notes receivable and accrued interest | 666,581 |
| Deposits | <u>4,350</u> |
| Total assets | <u><u>\$ 8,181,499</u></u> |

Liabilities and Stockholders' Equity

| | |
|---|----------------------------|
| Current liabilities: | |
| Accounts payable | \$ 77,306 |
| Gift cards payable | 159,859 |
| Accrued expenses | 119,516 |
| Advances from related parties | 500,000 |
| Deferred revenue - current | <u>159,667</u> |
| Total current liabilities | 1,016,348 |
| Deferred revenue - noncurrent | <u>75,111</u> |
| Total liabilities | <u>1,091,459</u> |
| Stockholders' equity: | |
| Common stock - par value \$1 per share; 1,000 (100 voting and 900 non-voting) shares authorized, issued, and outstanding | 1,000 |
| Additional paid-in capital | 200,000 |
| Retained earnings | <u>6,889,040</u> |
| Total stockholders' equity | 7,090,040 |
| Commitments and contingencies | |
| Total liabilities and stockholders' equity | <u><u>\$ 8,181,499</u></u> |

See accompanying notes to financial statements.

L & L FRANCHISE, INC.

Statement of Income and Retained Earnings

Year Ended December 31, 2021

| | |
|---|---------------------|
| Revenues: | |
| Royalty and advertising fees | \$ 5,790,110 |
| Rebate income | 559,681 |
| Franchise fees | 156,500 |
| Other income | 74,728 |
| Total revenues | <u>6,581,019</u> |
| Operating expenses: | |
| Salaries and wages | 1,224,329 |
| Advertising | 1,039,281 |
| Bad debt expense | 304,506 |
| Insurance | 293,604 |
| Taxes and licenses | 191,542 |
| General and administration | 120,594 |
| Travel | 79,062 |
| Profit sharing contribution | 67,393 |
| Professional fees | 63,567 |
| Repairs and maintenance | 34,052 |
| Lease rent | 25,217 |
| Contributions | 19,315 |
| Depreciation | 17,663 |
| Total operating expenses | <u>3,480,125</u> |
| Income from operations | <u>3,100,894</u> |
| Other income (expense): | |
| Gain on sale of assets | 354,678 |
| PPP loan forgiveness | 250,761 |
| Rental expense | (178,667) |
| Rental income | 161,317 |
| Interest and dividend income | 66,304 |
| Net realized and unrealized loss on investment securities | (18,384) |
| Other income | 44,126 |
| Total other income, net | <u>680,135</u> |
| Net income | 3,781,029 |
| Retained earnings - beginning of year | 5,113,873 |
| Distributions | <u>(2,005,862)</u> |
| Retained earnings - end of year | <u>\$ 6,889,040</u> |

See accompanying notes to financial statements.

L & L FRANCHISE, INC.

Statement of Cash Flows

Year Ended December 31, 2021

| | |
|---|----------------------------|
| Cash flows from operating activities: | |
| Net income | \$ 3,781,029 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 46,071 |
| Forgiveness of debt | (250,761) |
| Bad debt expense | 304,506 |
| Gain on sale of assets | (354,678) |
| Net realized and unrealized loss on investment securities | 18,384 |
| Changes in assets and liabilities: | |
| Accounts receivable | (319,644) |
| Rebates receivable | 145,486 |
| Prepaid expenses and other | (10,132) |
| Notes receivable and accrued interest | 90,257 |
| Accounts payable | 54,013 |
| Gift cards payable | 74,901 |
| Accrued expenses | 19,324 |
| Deferred revenues | 333 |
| Net cash provided by operating activities | <u>3,599,089</u> |
| Cash flows from investing activities: | |
| Purchases of property and equipment and other assets | (2,902,631) |
| Proceeds from sale of investment securities | 2,515,732 |
| Purchases of investment securities | (2,431,557) |
| Proceeds from sale of assets | 602,927 |
| Net cash used in investing activities | <u>(2,215,529)</u> |
| Cash flows from financing activities: | |
| Distributions to stockholders | (2,005,862) |
| Proceeds from advances from related parties | 500,000 |
| Proceeds from issuance of long-term debt | 250,761 |
| Net cash used in financing activities | <u>(1,255,101)</u> |
| Net increase in cash and restricted cash | 128,459 |
| Cash and restricted cash at beginning of year | <u>1,479,087</u> |
| Cash and restricted cash at end of year | <u><u>\$ 1,607,546</u></u> |

See accompanying notes to financial statements.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

(1) Summary of Significant Accounting Policies

Nature of Activities

L & L Franchise, Inc. (the Company) was incorporated in March 1991 in the State of Hawaii. The Company is the franchisor of a restaurant chain with national and international locations. The Company collects franchise, royalty, and advertising fees from the owner(s) of each restaurant and in return provides advertising, marketing, and administrative and operational support.

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

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

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances and does not bear interest. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Company does not have any off-balance-sheet credit exposure related to their franchises. Certain receivables have been converted to interest bearing notes.

Investment Securities

The Company invests in fixed income mutual funds which are recorded at fair value. Unrealized gains or losses in the fair value of the securities are included in net income. Upon the sale of securities, realized gains and losses are determined on a specific identification basis in computing the costs of securities sold. Dividend and interest income are recognized when earned.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

Property and Equipment and Other Property

Property and equipment and other property are stated at cost. Depreciation of property and equipment and other property is provided using the straight-line method over the estimated useful lives of the respective assets, as follows:

| | Estimated Useful Lives |
|-------------------------|-----------------------------------|
| Real estate | 7 - 39 years |
| Furniture and equipment | 5 - 7 years |
| Automobile | 5 years |

Repairs and maintenance costs are charged directly to expense, and expenditures for major improvements and additions are capitalized. Cost and accumulated depreciation of property and equipment and other property retired or otherwise disposed of are eliminated from the accounts at the time of retirement or sale, and profit or loss, if any, is credited or charged to income.

Gift Cards

The Company has gift card service agreements to receive and hold the proceeds of gift card sales until a customer uses the card to purchase items from a participating franchisee. When a customer uses a gift card to purchase items from a participating franchisee, the participating franchisee is obligated to accept the gift card as payment for its items and the Company is obligated to reimburse the participating franchisee for the sales price of the items purchased with the gift card. The Company is primarily liable to the customer for the value of the gift card until the card is redeemed. When the gift cards are issued, a liability is recorded by the Company. When the gift cards are redeemed and the participating franchisee is reimbursed there is an offset of the liability account and payment to the participating franchisee.

Revenue Recognition

Included in the Company's revenues are fees from restaurants operated by franchisees. The Company grants franchises to operators who in turn pay franchise, royalty, and advertising fees, for each restaurant. The franchise fee is a one-time fee which is paid prior to the opening of the restaurant. Advertising fees are a fixed monthly fee for restaurants located in Hawaii, and a percentage of monthly sales for restaurants not located in Hawaii. Royalty fees are based on a percentage of monthly sales and are recognized as income on the accrual basis. Management, at their discretion, can waive any of the above mentioned fees.

Under the terms of the franchise agreements, the Company typically promises to provide pre-opening activities such as training courses and use of operational manuals, and post-opening activities such as supervision by a team of corporate chefs and trainers upon restaurant opening. The Company has determined that the pre-opening activities, and the post-opening activities, represent two separate performance obligations. Franchise fee revenue is allocated to the two

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

separate performance obligations. Revenue allocated to pre-opening and post-opening activities is recognized when these services are performed.

Rebate income received from vendors is based on the volume of sales of the product and is recorded in the period of sale. Initial fees from vendors are classified as deferred revenue and straight lined over the life of the contract.

Rentals are reported as rental income on a straight-line basis over the term of the lease.

Advertising

Advertising expense is comprised of promotional, media, agency, and production costs. Advertising expenses are expensed when incurred. Advertising expense for the year ended December 31, 2021 amounted to \$1,039,281.

Income Taxes

The Company has elected to be treated as an S Corporation for federal and state income tax reporting purposes. Accordingly, in lieu of corporate income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability has been included in the financial statements.

Uncertain Tax Positions

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Management has determined that the Company does not have uncertain tax positions that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its stockholders will not be subject to additional tax, penalties, and interest as a result of such challenge. With few exceptions, the Company is no longer subject to U.S. federal examinations by tax authorities for years ended December 31, 2017 and prior.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

Long-Lived Assets

Long-lived assets, such as property and equipment and other property, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recognized in the year ended December 31, 2021.

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard establishes a right-of-use model that requires a lessee to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term of longer than 12 months. ASU 2016-02 is effective for the Company's reporting period beginning January 1, 2022. The Company is currently evaluating the potential impact the update will have on the financial statements.

(2) Concentration of Credit Risk

The Company maintains its cash balances at one financial institution located in Hawaii. At times and as of the balance sheet date, such deposits were in excess of federally insured limits.

(3) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The financial instruments' categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The measurements described may produce a fair value calculation that may not be indicative of realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used at December 31, 2021.

The following is a description of the valuation methodology used for the investment securities measured at fair value:

Mutual funds - Valued at the daily closing price reported on the active markets on which the individual security is traded. The fund is required to publish its daily net asset value and to transact at that price.

The following table sets forth by level, within the fair value hierarchy, the Company's investment securities at fair value as of December 31, 2021.

| | Investment Securities at Fair Value | | | |
|-----------------------------|--|-------------------|----------------|----------------|
| | as of December 31, 2021 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Investment securities: | | | | |
| Mutual funds - fixed income | <u>\$ 915,763</u> | <u>\$ 915,763</u> | <u>\$ -</u> | <u>\$ -</u> |

(4) Property and Equipment

Property and equipment at December 31, 2021 consist of the following:

| | |
|--------------------------------|---------------------|
| Real estate | \$ 3,136,953 |
| Furniture and equipment | 196,817 |
| Automobile | 60,131 |
| Construction in progress | <u>50,000</u> |
| | 3,443,901 |
| Less: accumulated depreciation | <u>(266,382)</u> |
| | <u>\$ 3,177,519</u> |

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

Depreciation expense for the year ended December 31, 2021 totaled \$17,663, and is included in depreciation expense in the accompanying statement of income and retained earnings.

As of December 31, 2021, the Company had approximately \$230,000 of open commitments to contractors for renovations on work to be performed.

(5) Other Property

Other property, which relates to rental activities, at December 31, 2021 consist of the following:

| | | |
|--------------------------------|----|-----------------------|
| Real estate | \$ | 785,109 |
| Furniture and equipment | | <u>12,384</u> |
| | | 797,493 |
| Less: accumulated depreciation | | <u>(229,408)</u> |
| | \$ | <u><u>568,085</u></u> |

Depreciation expense for these rental properties totaled \$28,408 for the year ended December 31, 2021 and is included in rental expense in the accompanying statement of income and retained earnings.

(6) Revenue

Franchise and Related Revenue

The Company has franchised restaurants in markets in which it considers expansion to be of benefit. Franchisees bear all direct costs involved in the development, construction, and operation of their restaurants. The Company provides franchisees support for architectural plans, interior and exterior design and layout, training, marketing, and opening assistance. The current standard franchise agreement generally provides for payment to the Company of a nonrefundable franchise fee of \$15,000 to \$30,000 dependent on location and the number of restaurants opened by the franchisee. Franchise revenues are recognized when performance obligations are met. Franchise fees, included in revenues in the accompanying statement of income and retained earnings, totaled \$156,500 for 2021.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

In addition to the initial franchise fee, the agreement generally provides for royalties of 1% to 3% of monthly gross sales and a monthly advertising fee of \$300 for franchises in Hawaii or 1% of monthly gross sales for franchises outside of Hawaii.

Royalty income is recognized during the respective franchise agreement based on the royalties earned each month as the underlying franchise store sales occur. Since the Company acts as the principal and generally oversees all advertising programs with sole discretion over the creative concepts, materials, and media used in such programs and the placement and allocation thereof, the Company records advertising fees in revenues and advertising expenditures in expense as incurred in the accompanying statement of income and retained earnings.

Franchisees may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. A franchise agreement is signed with the new franchisee with no franchise fee required.

Rebate Revenue

As part of the Company's franchise agreements, the franchisee purchases products and supplies from designated vendors. The Company may receive various fees and rebates from the vendors on product purchases by franchisees. Additionally, the Company may collect various initial fees, which are classified as deferred revenue in the accompanying balance sheet. The Company does not possess control of the products prior to their transfer to the franchisee and products are delivered to franchisees directly from the vendor. The Company recognizes the rebates as franchisees purchase products and supplies from vendors and recognizes initial fees over the contract life.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

(7) Notes Receivable and Accrued Interest

Notes receivable and accrued interest at December 31, 2021 consist of the following:

| | |
|---|-------------------|
| Interest bearing note receivable of \$292,151; monthly principal and interest payments of \$5,000; interest accrues at 6% per annum; entire principal balance plus unpaid interest due in full no later than March 2026; secured by the assets of property in Tennessee and ownership interests in corporations in Fresno, California and San Marcos, California | \$ 257,602 |
| Interest bearing note receivable of \$175,000; monthly principal and interest payments of \$1,600; interest accrues at 10% per annum decreasing to 5% effective February 2022; entire principal balance plus unpaid interest due in full no later than December 2024; secured by the assets of property in Colorado and ownership interest in a corporation in Aurora, Colorado | 171,931 |
| Interest bearing note receivable of \$150,000; monthly principal and interest payments of \$2,000; interest accrues at 8% per annum; entire principal balance plus unpaid interest due in full no later than September 2022; secured by the assets of a certain business in National City, California | 131,303 |
| Interest bearing note receivable of \$153,749; monthly principal and interest payments of \$2,000; interest accrues at 8% per annum; entire principal balance plus unpaid interest due in full no later than October 2023; personally guaranteed by the borrowers and secured by real estate located in San Diego, California | 54,323 |
| Interest bearing note receivable of \$153,749; monthly principal and interest payments of \$2,000; interest accrues at 8% per annum; entire principal balance plus unpaid interest due in full no later than October 2023; personally guaranteed by the borrowers and secured by real estate located in San Diego, California | 51,422 |
| | <u>\$ 666,581</u> |

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

(8) Related Party Transactions

The Company is related to various companies and individuals through financial interests and management control.

Certain franchises of the Company are owned by stockholders of the Company, their trust, or an immediate family member. Total revenues earned from these franchises during 2021 amounted to \$578,211. Total receivables owed from these franchises totaled \$95,172 as of December 31, 2021. During the year, certain royalty fees were waived for two franchises owned by a related party.

The Company received non-interest bearing advances from two stockholders of the Company. At December 31, 2021, total advances from these stockholders amounted to \$500,000 and were subsequently repaid in March 2022.

(9) Lease Commitments - Lessor

The Company leases office space and other real estate in Hawaii to tenants under noncancelable operating leases with terms expiring at various dates through December 2022.

The following is a schedule of future minimum rentals under all noncancelable operating leases:

Year Ending December 31:

| | | |
|------|----|---------------|
| 2022 | \$ | <u>28,800</u> |
|------|----|---------------|

Rental income amounted to \$161,317 for the year ended December 31, 2021.

(10) Lease Commitments - Lessee

The Company leases vehicles and office equipment under noncancelable operating leases. These leases expire at various dates through September 2026. Annual future minimum lease payments required under these leases are as follows:

Year Ending December 31:

| | | |
|------|----|---------------|
| 2022 | \$ | 23,200 |
| 2023 | | 11,300 |
| 2024 | | 3,700 |
| 2025 | | 3,100 |
| 2026 | | <u>2,300</u> |
| | \$ | <u>43,600</u> |

For the year ended December 31, 2021, lease rent expense totaled \$25,217.

L & L FRANCHISE, INC.

Notes to Financial Statements

December 31, 2021

(11) Employee Benefit Plan

The Company has a profit sharing plan covering all eligible employees with a minimum age of 21 and who have completed one year of service in which the employee completed at least 1,000 hours of service. The Company may make discretionary contributions as determined by the Board of Directors up to the maximum contribution calculated in accordance with plan provisions, employee data, and government regulations. Total contributions for the year ended December 31, 2021 amounted to \$67,393.

(12) Coronavirus Disease 2019 Pandemic

The Company's operations have been and will continue to be affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The COVID-19 outbreak has caused business disruption through mandated governmental restrictions reducing customer traffic to the franchises. The extent to which the disruption will ultimately impact the Company's financial position, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted, including the duration, spread, and severity of the COVID-19 pandemic.

(13) Paycheck Protection Program

In February 2021, the Company received a \$250,761 loan from a financial institution under the United States Small Business Administration (SBA) Paycheck Protection Program (the Program). This program was established by the Coronavirus Aid, Relief, and Economic Security Act to assist eligible companies in paying employees and other allowed costs during the COVID-19 crisis. Interest on the loan accrues at 1% and matures five years from the date of loan disbursement. The Company may request forgiveness up to the full principal amount and accrued interest of the loan from the lender provided the loan proceeds are used for qualified purposes as stipulated in the Program and employee headcounts and compensation levels are maintained.

The Company received forgiveness decisions by the lending financial institution and the SBA, which determined that the Company has met the requirements for full forgiveness of the Program's loan. In accordance with FASB Accounting Standards Codification (ASC) 740, *Debt*, the Company recorded the forgiven portion of the loan as other income. The loan amount forgiven totaling \$250,761 is included in other income in the accompanying statement of income and retained earnings for the year ended December 31, 2021.

(14) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through April 18, 2022, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

EXHIBIT D

Sample Release

GENERAL RELEASE LANGUAGE

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer as well as on other occasions that we deem appropriate. We may, at our sole option, periodically modify the release.

THIS GENERAL RELEASE (the "**Release**") is made and entered into on this _____ day of _____, 20__ (the "**Effective Date**"), by and between:

L & L Franchise, Inc., a Hawaii corporation ("**Franchisor**"); and

_____ a
[resident of] [corporation organized in] [limited liability company organized in]
[("**Franchisee**")] [("**Transferor**")].

BACKGROUND:

A. Franchisor and [Franchisee] [Transferor] are parties to a Franchise Agreement dated _____ (the "**Franchise Agreement**") regarding the operation of a "L & L Hawaiian Barbecue" restaurant (the "**Restaurant**," also referred to as the "**Franchised Business**");

B. Franchisor and [Franchisee] [Transferor] have agreed, pursuant to the Franchise Agreement, [to renew or extend Franchisee's rights under the Franchise Agreement (the "**Renewal Transaction**")] [to permit a transfer or assignment pursuant to the Franchise Agreement (the "**Transfer Transaction**")], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

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

1. Release. [Franchisee] [Transferor], its officers and directors and principals, and their respective agents, heirs, administrators, successors and assigns (the "**Franchisee Group**"), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, employees, agents, representatives, heirs, administrators, successors and assigns (the "**Franchisor Group**") from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its owners had, have or may have against any member of the Franchisor Group, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, and Franchisor's performance thereunder, the relationship

created by the Franchise Agreement, [all other agreements between either of the Transferors and any member of the Franchisor Group, the sale of franchises to the Transferor,] or the development, ownership or operation of the Franchised Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants' and expert witness fees, costs of investigation and proof of facts, court costs and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating to the Franchise Agreement or the Franchised Business. The Franchisee Group and its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

[Note for California Release – add the following:

Except as set forth herein, Franchisee Group expressly relieves and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California ("Section 1542"), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT."

Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, Franchisee Group expressly acknowledges that this Release is intended to include in its effect without limitation, all claims described in this paragraph which Franchisee Group does not know or suspect to exist in its favor at the time of execution hereof, and that this Release contemplates the extinguishment of any such claims.]

[Note for Maryland Release – add the following to Section 1, at the end of the first sentence: "excluding only such claims arising under the Maryland Franchise Registration and Disclosure Law."]

[Note for Minnesota Release – add the following to Section 1, at the end of the first sentence: "excluding only such claims arising under the Minnesota Franchises Law."]

[Note for Washington Release – add the following to Section 1, at the end of the first sentence: "excluding only such claims arising under the Washington Franchise Investment Protection Act."]

2. General Terms.

2.1 This Release will be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2 This Release will take effect upon its acceptance and execution by each of the parties hereto.

2.3 This Release may be executed in counterparts, and signatures exchanged by fax or pdf, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, will be considered as one Release.

2.4 The captions in this Release are for the sake of convenience only, and will neither amend nor modify the terms hereof.

2.5 The parties agree that all actions arising under this Release must be commenced in the state or federal court of general jurisdiction in California, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he/she/it might have to either the jurisdiction of or venue in those courts. This Release will be interpreted and construed under the laws of the State of California. In the event of any conflict of law, the laws of the State of California will prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

2.6 This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.7 No amendment, change, or variance from this Release will be binding on either party unless in writing and agreed to by all of the parties hereto.

[Signature Page Follows]

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

L & L Franchise, Inc.

Franchisor

[Franchisee] [Transferor]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT E

Agencies/Agents for Service of Process

CALIFORNIA

Commissioner of Business Oversight
Department of Business Oversight
One Sansome Street, Suite 600
San Francisco, California 94104-4428

HAWAII

Commissioner of Securities
Department of Commerce and Consumer
Affairs
Business Registrations Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
201 State House
200 W. Washington Street
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202

MICHIGAN

Department of Labor & Economic Growth
Commercial Services & Corporations
Bureau
611 W. Ottawa Street
Lansing, Michigan 48909

MINNESOTA

Minnesota Commissioner of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard, Fifth Floor
Bismarck, ND 58505
(701) 328-4712

OREGON

Director
Department of Consumer and Business
Services
Division of Finance and Corporate
Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Director
Department of Business Regulation
233 Richmond Street, Suite 232
Providence, Rhode Island 02903

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre SD 57501
(605) 773-3563

VIRGINIA

Clerk of the State Corporation
Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Commissioner of Securities

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty Street
New York, New York 10005
(212) 416-8236

Fourth Floor
345 West Washington Avenue
Madison, Wisconsin 53703

EXHIBIT F

Current Franchisees

Franchisees Who Have Signed Franchise Agreements But Not Yet Opened Their
Restaurants

California (1)

Blessie Regala

Store Address: 616 Camino De Los Mares, San Clemente, California 92673

Franchisee Phone: (949) 354-9692

Colorado (1)

Charles Ronald Chadwick, Jr.

Store Address: 11010 Cross Peak View, Ste.120, Colorado Springs, Colorado 80921

Franchisee Phone: (719) 623-6886

North Carolina (1)

Kay Vang

Store Address: 331-E Western Blvd., Jacksonville, NC 28547

Franchisee Phone: (704) 294-9540

| | Restaurant | Company | Address | Zip | Phone Num |
|---------------|--------------------------|--|---|----------------|----------------|
| Alaska | Anchorage 1 | RHK, Inc. | Dimond Center, 800 E. Dimond Blvd., #3-011 | 99515 | (907) 375-9988 |
| | Anchorage 2 (Tudor) | LLAK CORP | 2834 E. Tudor Rd. | 99507 | (907) 865-8188 |
| Arizona | Phoenix | Jim's L&L Hawaiian BBQ, Inc. | 2501 W. Happy Valley Rd., Ste 50-1250 | 85085 | (623) 434-4119 |
| | Tucson | Matsumoto Shoten | 4210 N First Avenue | 85719 | 520-989-3816 |
| | Yuma | Yuma HB, Inc. | MCX FoodCourt, 3E Bldg 965 Thomas Street | 85365 | (928) 726-2223 |
| California | Antioch | Hansen Gu | 5035 Lone Tree Way, Ste. A | 94531 | (925) 779-1818 |
| | Castro Valley | Zhu Cai He | 20438 Redwood Road | 94546 | (510) 728-0888 |
| | Ceres | Ceres HB Inc | Whitmore Plaza, 2517 Mitchell Rd., Ste. A | 95307 | (209) 596-4510 |
| | Daly City | Daly City HB, Inc. | Mission Plaza Shopping Center, 6893 Mission St. | 94014 | (650) 756-7188 |
| | Fairfield | PKS LLC | Green Valley Shopping Center, 5121 Business Center Dr. | 94534 | (707) 864-9873 |
| | Fremont | C&E C E Corporation | 5255 Mowry Ave., Ste. S | 94538 | (510) 794-8885 |
| | Gilroy | GHQ Inc | 7210 Camino Arroyo, Ste. 104 | 95020 | (408) 846-0917 |
| | Hayward | Hayward HB, Inc. | Olivers Corner's Shopping Center, 27328 Hesperian Blvd. | 94545 | (510) 782-0880 |
| | Hercules | Longhua BBQ, Inc. | 1572-B Sycamore Ave. | 94547 | (510) 799-9788 |
| | Millbrae | Millbrae HB, Inc. | Wilson Plaza, 340 Adrian Rd. | 94030 | (650) 259-8063 |
| | Milpitas | L & L Milpitas HB INC | 273 W. Calaveras Blvd. | 95035 | (408) 262-5880 |
| Mountain View | Charleston Plaza HB, Inc | Charleston Plaza, 2430 E. Charleston Rd. | 94043 | (650) 967-2555 | |

| | | | | |
|-------------------------------|--------------------------------------|--|-------|----------------|
| Novato | Novato HB, Inc. | 7320 Redwood Blvd., Ste. B | 94945 | (415) 892-6565 |
| Pacifica | Pacifica HB, Inc | Linda Mar Shopping Center, 1231 Linda Mar Blvd. | 94044 | (650) 355-9988 |
| Pleasant Hill | LL Pleasant Hill, Inc. | 1749 Contra Costa Blvd. | 94523 | (925) 349-5757 |
| Pleasanton | Zhu Cai He | Metro 580, 4515 Rosewood Dr., #600 | 94588 | (925) 847-9888 |
| Redwood City | Redwood City HB, Inc | The Mervyn's Plaza, 324 Walnut St. | 94063 | (650) 299-1544 |
| San Bruno | San Bruno HB, Inc. | San Bruno Towne Center, 1230 El Camino Real, Unit M&N | 94066 | (650) 873-7188 |
| San Francisco | SML L&L Corp | 312 Kearny St. | 94108 | (415) 956-2888 |
| San Mateo | AiLoGrindz Inc | 94 East 3rd Ave. | 94401 | (650) 347-8885 |
| Stockton | Hawaii Square Inc. | 4555 N. Pershing Ave., Ste. 33A | 95207 | (209) 478-0500 |
| Union City | Heritage HB, Inc. | Union City Marketplace, 1668 Decoto Rd. | 94587 | (510) 324-8838 |
| Vacaville | Mei Fang He & Xin Zhong He | Nut Tree Village, 1631 E. Monte Vista Ave., Ste. 107 | 95688 | (707) 455-8881 |
| Vallejo | L&L Hawaiian Barbecue (Vallejo), Inc | Gateway Plaza Shopping Center, 165 Plaza Dr., #707 | 94591 | (707) 647-7070 |
| Vallejo (Downtown) | L & L Hawaiian Barbecue | Park Place Shopping Center, 4300 Sonoma Blvd., Ste. 724 & 732 | 94589 | (707) 648-0315 |
| Anaheim | Ram Foods LLC | 2219-B W. Ball Rd. | 92804 | (714) 781-5718 |
| Brea | MK Brea LLC | 2445 E. Imperial Hwy., #C | 92821 | (714) 990-8999 |
| Carson | KD & F, Inc | 272 E. Sepulveda Blvd. | 90745 | (310) 549-2913 |
| Carson #2 on Albertoni Street | Tagh Foods, LLC | 501 East Albertoni Street, Suite B2 (former Ono Hawaiian BBQ) | 90746 | (310) 769-6988 |
| Cerritos | YuviEsha LLC | South Street Mall, 11413 South St. | 90703 | (562) 809-9292 |

| | | | | |
|---------------------|--|---|-------|----------------|
| Costa Mesa | Oishi Restaurant Group Inc | Harbor Center 2300 Harbor Blvd., Ste. N-4 | 92627 | (949) 287-6689 |
| Cypress | L&L Hawaiian BBQ, Inc. | 5633 Lincoln Ave. | 90630 | (714) 761-9530 |
| Eagle Rock | individual - Vartan Shanazarian & Arsen Shahnazarian | 4430 York Blvd., #B | 90041 | (323) 259-8888 |
| El Segundo | Pacific Blue Ocean Café Inc | 954 Main St. | 90245 | (310) 414-9523 |
| Fullerton | HK Tuska, Inc. | 339 N. State College Blvd. | 92831 | (714) 870-8888 |
| Gardena | Gardena L & L, Inc. | Gardena Valley Shopping Cntr., 1258-C Redondo Beach Blvd. | 90247 | (310) 630-5868 |
| Glendale | GLENDALÉ L&L HAWAIIAN BBQ INC | 118 Artsakh Ave. | 91205 | (818) 637-8566 |
| Hawthorne | Best Win, INC | 5257 W. Rosecrans Ave. | 90250 | (310) 643-5195 |
| Huntington Beach | Sunwasher Inc | Newland Center, 19692 Beach Blvd. | 92648 | (714) 968-1898 |
| Irvine | Irvine Ohana HIF, Inc | Heritage Plaza, 14310 Culver Blvd., Unit A | 92604 | (949) 262-9088 |
| La Verne | La Verne HB, Inc | La Verne Town Center, 2400-A Foothill Blvd. | 91750 | (909)392-6938 |
| Long Beach - Willow | Long Beach L & L Inc | Wrigley Marketplace, 141-T E. Willow St. | 90806 | (562) 427-5109 |
| Marina Del Rey | Lei's Fusion Café Inc | 4248 Lincoln Blvd. | 90292 | (310) 301-0123 |
| Mission Viejo | Mckinney Foods, Inc | 25800 Jeronimo Rd., #401B (former Waba Grill) | 92691 | (949) 380-8803 |
| Northridge | individual - Vartan Shanazarian & Arsen Shahnazarian | 18657 Devonshire St. | 91324 | (818) 363-8840 |
| Norwalk | Parker & Hughes Corp | Paddison Square, 12431 S. Norwalk Blvd., Unit. C (1450-1500 sq ft) | 90650 | (562) 868-8077 |
| Oxnard | Aloha Bros., Inc. | The Esplanade, 321 West Esplanade Drive, #20 | 93036 | (805) 278-8082 |
| Pasadena | Best Eats Inc | 319 South Arroyo Parkway, Ste. 10 | 91105 | (626) 583-4960 |

| | | | | |
|-------------------|---|---|-------|--|
| Pico Rivera | Hawaiian King Inc | Pico Rivera Towne Center, 8760 Washington Blvd. | 90660 | (562) 222-1722 |
| Redondo Beach | Local Chos LLC | 1821 S. Catalina Ave. | 90277 | (310) 375-0333 |
| Santa Clarita | G & E Khoury LLC | The Crossroads at Santa Clarita Marketplace, 18727 Via Princessa Parkway | 91387 | (661) 251-8333 |
| Temecula | Temecula HB, Inc. | Margarita Promenade Shopping Center 40573 Margarita Rd., Ste. G (former Flame Broiler) | 92591 | (951) 296-2988 |
| Torrance | Hip Sing Hawaiian Inc | 24223 Crenshaw Blvd. Ste. G | 90505 | (310) 326-0810 |
| Walnut | Cal Foods LLC | The Village, 21565 Valley Blvd. | 91789 | (909) 444-0030 |
| West Covina | Tri Kings Inc. | 323 N. Azusa Ave. | 91791 | (626) 732-2221 |
| Westminster | Tagh Foods, LLC | Westminster Shopping Center, 6731 Westminster Blvd. #108 | 92683 | (714) 903-6988 |
| Arden-Arcade | Bell HB, Inc | 1900 Fulton St. Invoices and important documents/paperwork mail to the PO BOX address: PO Box 9842, Sacramento, CA 95157 | 95825 | (916) 913-1128 |
| Elk Grove | Elk Grove HB Inc | Laguna Crossroads, 7419 Laguna Blvd., Ste. 120 | 95758 | (916) 478-3768 |
| Florin | Koa Kahuna, Inc | Lakecrest Shopping Center, 1030 Florin Rd. | 95831 | (916) 392-5555 |
| Fruitridge | Terry Cornell Kennedy & Christopher Michael Kennedy | Fruitridge Shopping Center, 5625 Stockton Blvd. (1347 sq ft) | 95824 | 916-400-3157 |
| Mack Rd. | South Pointe HB Inc | South Pointe Shopping Center, 6301 Mack Rd. | 95823 | (916) 689-9331 |
| Natomas | Benny Wee Mon Hom | 3291 Truxel Rd., #6 (former China Chef Asian Cuisine) | 95833 | (916) 568-9899 |
| Roseville - North | Fairway HB, Inc. | Fairway Plaza, 9050 Fairway Dr., #160 | 95678 | (916) 788-1129 (916) 784-6818 (NEW) |
| Roseville - South | Sunrise Pointe HB Inc | 960 Sunrise Avenue, Suite 100 | 95661 | (916) 784-6333 |
| Woodland | Gabriel Ochoa | Westgate Shopping Center, 353 W Main St., Ste. E (Space formerly called Fiato's Pizzeria) | 95695 | (530) 723-5001 |
| 28th St. | 28th HB, Inc. | Fornaca Center, 2850 National Ave., Ste. 102 | 92113 | (619) 232-1888 |

| | | | | |
|----------------------|-------------------------------|--|-------|----------------|
| Carmel Mountain | Carmel Mountain HB, LLC | Sweetwater Towne & Country Center, 1860-B Sweetwater Rd. | 92128 | (858) 451-6888 |
| College | HBC3, Inc. | BLVD 63, 6353 El Cajon Blvd., Ste. 120 RELOCATED from Campus Plaza Shopping Center, 6083 El Cajon Blvd. | 92115 | (619) 229-6888 |
| EastLake | Eastlake HB, Inc | 2260 Otay Lakes Rd., Ste. 105 | 91915 | (619) 216-7788 |
| El Cajon | Rudy Arucan & Roddy Bilan | Target Shopping Center, 354 Broadway Ave. | 92021 | (619) 444-4323 |
| La Jolla | La Jolla HB Restaurant, Inc. | Regents Medical Bldg., 4150 Regents Park Row | 92037 | (858) 554-0888 |
| Mira Mesa | Mira Mesa HB, LP | Mira Mesa Mall, 8280-A Mira Mesa Blvd. | 92126 | (858) 693-5888 |
| Miramar | Bhelles Island Grill Miramamr | Marine Corps Air Station at Miramar Main MCX Food Court 2660 Antares Dr., Ste. B | 92145 | (858) 271-8888 |
| National City | NC HB Inc | Sweetwater Towne & Country Center, 1860-B Sweetwater Rd. | 91950 | (619) 336-6888 |
| Oceanside | Sanshiro HB, Inc. | Rancho Del Oro Gateway Shopping Center, 4225 Oceanside Blvd., Ste. E | 92056 | (760) 726-0888 |
| Oceanside Downtown | M.R.S. Enterprise, Inc. | 510 Oceanside Blvd., Unit 102 | 92054 | (760) 231-1142 |
| Palm | Palm HB, LLC | 3410 Palm Ave., Ste. A | 92154 | (619) 429-7988 |
| Point Loma | Point Loma HB, Inc. | 3145 Sports Arena Blvd., #102 | 92110 | (619) 223-8888 |
| Ramona | Ramona BBQ | Stonegate Plaza Shopping Center, 1662 Main Street, Suite A | 92065 | (760) 654-3138 |
| San Marcos | San Marcos HB, Inc | Grand Plaza Shopping Center, 137 S. Las Posas Rd., Ste. 152 (1,160 sq. ft.; currently at \$3.25psf, no increase for 5 years per new lease contract commencing around January 2013.) | 92078 | (760) 290-3036 |
| San Marcos - Walmart | Mix Plate SD LNL INC | Walmart Supercenter, 732 Center Drive (1470 sq. ft., 5600 trans, group 2) | 92070 | (760) 957-3690 |
| Santee | Mission Gorge HB, Inc. | Santee Village Shopping Center, 9621 Mission Gorge Rd., Ste. 107 | 92071 | (619) 562-1888 |
| SD Naval Fleet | NBSHB, Inc | 3421 Surface Navy Blvd. (former Rice King location) | 92136 | (619) 814-8072 |
| SDSU Campus | SDSU HB, Inc. | 5157 College Avenue, Suite A | 92115 | (619) 310-6331 |

| | | | | | |
|------------------------------|---------------------------------|--|--|--|----------------|
| Fresno | Fresno HB 619 | Arbor Faire, 3314 West Shaw Ave., Ste. 10 | 93711 | (559) 277-9888 | |
| Patterson | Patterson HB Inc | 1010 W. Las Palmas Ave. | 95363 | (209) 894-7088 | |
| Riverbank | Riverbank HB, Inc | Crossroads Regional Shopping Center, 2447 Claribel Rd., Ste. A | 95367 | (209) 863-8876 | |
| Tracy | ADJB Inc | The Orchard Shopping Center, 2271 W. Grant Line Rd., #113 | 95377 | (209) 832-3388 | |
| Almaden | Almaden HB, Inc | Almaden Plaza Shopping Center, 5353 Almaden Expressway, Ste. 48 | 95118 | (408) 266-9888 | |
| Berryessa | Haojing Inc | 1712 Berryessa Rd., Ste. 10 | 95133 | (408) 929-3188 | |
| Campbell | H & W HB, Inc | 1380 W. Campbell Ave. | 95008 | (408) 866-0982 | |
| Capitol Expressway | L & L Hawaiian BBQ Capitol Expy | Silver Creek Shopping Center, 1805 E. Capitol Expressway (1000 sq ft) | 95121 | (408) 274-1388 | |
| Coleman | Aloha Rocks, Inc | San Jose Market Center, 579 Coleman Ave., #40 | 95110 | (408) 920-7772 | |
| Curtner | Curtner HB, Inc. | 1 Curtner Ave., #80 | 95125 | (408) 288-9839 | |
| Santa Clara | Homestead HB, Inc | Lawrence Station, 3580 Homestead Rd. | 95051 | (408) 246-0896 | |
| Santa Cruz | Huayi Restaurant Inc | 460 7th Ave. | 95062 | (831) 475-8898 | |
| South San Jose - Cottle Road | L & L H.B. Cottle, Inc | 5730 Cottle Rd., Ste. 120 | 95123 | (408) 227-2277 Store email: lhawaiianbbqcottle@gmail.com | |
| Goleta | Endow Enterprises Inc | The Plaza, 7127 Hollister Ave., Ste. 21 | 93117 | (805) 968-8880 | |
| Colorado | Aurora | Yamagata Corporation | Aurora City Place, 14221 E. Cedar Ave., Unit C | 80012 | (303) 340-8824 |
| | Aurora - Mixplate | Stanley Yamagata & Avery Arakaki | Walmart Supercenter, 5650 S. Chambers Rd. (2124 sq. ft., 5500 trans, group 2) | 80015 | (303) 766-4950 |
| | Boulder | Ono Grindz 303, LLC | Crossroads Commons, 2323 30th St., Unit 2E | 80301 | 303-862-5715 |
| | Colorado Springs | Colorado HB Inc | 5850 Barnes Rd. | 80922 | 719-570-1888 |

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|----------------|------------------------------|------------------------------|---|-------|----------------|
| | Interquest Parkway | Charles Ronald Chadwick, Jr. | 11010 Cross Peak View, Ste. 120 | 80921 | 719-623-6886 |
| | Midtown | Brian Cung | Broadway Central, 575 Lincoln Street, Unit C | 80203 | 720-769-5441 |
| Florida | Jacksonville (Argyle) | Pablo HB LLC | Argyle Village Shopping Center, 6001 Argyle Forest Drive, Ste. 60 | 32244 | (904) 647-5228 |
| | Jacksonville #2 (Baymeadows) | Baymeadows H B, Inc. | Centurion Square, 8380 Baymeadows Rd., Ste. 4 | 32256 | (904) 326-8888 |
| Georgia | Peachtree City | Rigaud Enterprises LLC | 224 Peachtree East Shopping Center | 30269 | 770-731-2440 |
| | Savannah | L & L Savannah, LLC | Market Walk Shopping Center, 318 Mall Boulevard, Building 800, Suite A (1200 sq. ft.) | 31406 | (912) 335-7906 |
| North Carolina | Concord | FnA Enterprises Inc | 522 Kannapolis Parkway | 28027 | (980) 248-1193 |
| South Carolina | North Charleston | Ohana Taste LLC | The Shoppes at Centre Pointe, 4950 Centre Pointe Dr., Ste. 144 | 29418 | 843-771-8000 |
| Nevada | Ann Rd. | Ann HB LLC | Ann Decatur Marketplace 4770 W. Ann Rd., #6 [Store hours: 10am-10pm] | 89031 | (702) 998-9559 |
| | Blue Diamond | BD Edge LLC | 7825 Blue Diamond Rd., Ste. 105 | 89178 | (725) 214-6000 |
| | Buffalo | CBC Café LLC | 1900 N. Buffalo Dr. (former Shari's Diner) (I: Buffalo and Lake Mead) | 89128 | (702) 869-9898 |
| | Canyon Pointe | Canyon Pointe Chen LLC | 10860 W. Charleston Blvd., Ste. 180 | 89135 | (702) 362-9898 |
| | Centennial | DK & QV LLC | Centennial Center, 7891 W. Tropical Parkway, Ste. 120 | 89130 | (702) 792-9898 |
| | East Craig | Craig HB LLC | 2520 E. Craig Rd., #105 | 89030 | (702) 399-9898 |
| | Eastern Beltway | CEHB LLC | Eastern Beltway Shopping Center, 2070 East Serene Ave. | 89123 | (702) 255-8088 |
| | Flamingo | Jones HB LLC | 6118 W. Flamingo Rd. [1300 sq. ft., \$2700/mo c CAM, \$25K TI] | 89103 | (702) 579-9898 |
| | Fort Apache | Russell HB LLC | 5752 S. Fort Apache Rd., Ste. 105 | 89148 | (702) 383-9898 |
| | Golden Valley | Charles Ronald Chadwick, Jr. | 1075 N. Hills Blvd., #110 | 89506 | 775-384-1354 |

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|----------|----------------------------|------------------------------------|--|-------|-------------------------|
| | Henderson | CWR LLC | Whitney Ranch Center, 687 N. Stephanie St. | 89014 | (702) 433-0240 |
| | Henderson - Horizon Ridge | Liberty Automotive, LLC | 81 W Horizon Ridge Pkwy. | 89102 | 702-200-1900 |
| | Las Vegas Premium Outlets | CLV LLC | Las Vegas Premium Outlet, 7580 South Las Vegas Blvd., #110 | 89123 | (702) 837-9898 |
| | Nellis | Richard Tonthat | Vegas Valley Plaza, 2755 S. Nellis Blvd., Ste. C-1 | 89121 | (702) 597-9898 |
| | Rainbow | Rainbow HB LLC | 7320 S. Rainbow Blvd., Ste. 104 | 89139 | (702) 732-9898 |
| | Reno Mae Ann | Charles Ronald Chadwick, Jr. | Ridgeview Plaza, 5150 Mae Anne Ave., Ste. 204 | 89523 | (775) 322-8888 |
| | Sahara (Kenny) | CHB LLC | 4030 S. Maryland Pkwy., Las Vegas | 89119 | 702-880-9898 |
| | Sahara Square | Aloha Ventures LLC | Sahara Square, 2595 S. Maryland Parkway | 89109 | (702) 643-9898 |
| | South Reno Virginia Street | Charles Ronald Chadwick, Jr. | Coliseum Meadows, 4978 S. Virginia St. | 89502 | (775) 683-9960 |
| | Sparks | Charles Ronald Chadwick, Jr. | Marina Marketplace, 1495 E. Prater Way, Ste. 125 (former Taco Del Mar space) | 89434 | (775) 384-1940 |
| New York | Evans Mills | PMCA, Inc | 26390 US Route 11 | 13637 | (315) 629-5998 |
| Oregon | Beaverton | Oregon L&L Hawaiian Barbecue Inc | Cedar Hills Crossing, 3205 SW Cedar Hills Blvd., Ste. 23 | 97005 | (503) 726-0770/726-0771 |
| Texas | Arlington | Ohana United Restaurant Group, LLC | 3755 S. Cooper St. (stand alone drive-thru) | 76015 | 682-248-3371 |
| | Austin South | Yee Haw 1 LLC Series E | 3601 W. William Cannon Dr. (1100 sq ft) | 78749 | 512-992-0404 |
| | Briarforest | Townsend MGMT Consulting LLC | 1635 Eldridge Parkway, #600 | 77077 | 281-741-5441 |
| | Houston #1 | TMC Inc. | 209 Heights Blvd. (former U-Swirl, next to Chipotle) | 77007 | (713) 505-1403 |
| | Katy | TMC Inc. | Katy Asian Town, (near H-Mart) STORE RELOCATION FROM 2404 Texmati Dr., #400, Katy, TX 77494 | 77449 | (832) 437-8609 |
| | Killeen | Yee Haw 1 LLC Series D | Killeen Marketplace, 1200 Lowes Blvd., Ste. 106 (former The Catch, Southern seafood restaurant) | 76542 | 254-415-7076 |

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|------------|---------------|-----------------------------------|---|-------|----------------|
| | Lackland | Yee Haw 1 LLC Series C | 6934 Military Dr. W | 78227 | (210) 257-8577 |
| | New Braunfels | Sarah Yee | 156 S TX-46, Ste. 200 | 78130 | (830) 312-5026 |
| | Plano | Dallas Hawaiian Barbecue, LLC | Preston Creek Shopping Center, 8404 Preston Rd., Ste. 200 | 75024 | (972) 712-3888 |
| | San Antonio | Yee Haw Partners, LTD | 1302 Austin Highway | 78209 | (210) 474-6699 |
| | Waco | J&L Culinary Investments LLC | Mary Avenue Market, 300 S 6th St., Ste. E (Space formerly called Pie Peddlers) | 76702 | (254) 301-7497 |
| Virginia | Chesapeake | Pono Greenbrier, LLC | Towne Place at Greenbrier, 717 Eden Way N, Ste. 610 (Formerly Stacked Eatery) | 23320 | (757) 410-3200 |
| Washington | Burien | Sonny Carpio | Burien Plaza, 116 SW 148th St., #D170 | 98166 | (206) 829-8518 |
| | Federal Way | Federal Way HB, LLC | 32225 Pacific Highway South, Ste. 104 | 98003 | (253) 946-0788 |
| | Kent | Kent HB, Inc | 20038 68th Ave. S, Ste. 107 | 98032 | (253) 277-7925 |
| | Lacey | Lacey HB Inc | 1350 Marvin Rd. NE, Ste. H | 98516 | (360) 878-8287 |
| | Lakewood | Lakewood HB, Inc | 10417 Gravelly Lake Dr. Ste. E | 98499 | (253) 588-8296 |
| | Renton | Good Living, LLC | 20 SW 7th Street, Ste. H | 98055 | (425) 227-6980 |
| | SeaTac | Seatac Hawaiian Barbeque, Inc | SeaTac WallyPark Retail Center, 18613 International Boulevard, Bldg. B, #3 1,804 sq. ft., 10-yr term: 2/1/2013-8/1/2023 | 98188 | (206) 432-9646 |
| | Tacoma | Tacoma Mall HB, Inc | Tacoma Mall, 4502 S. Steele St., #161A (Next to Chipotle) | 98409 | (253) 472-0603 |
| | Tumwater | Louis Matautia & Donetta Matautia | 5312 Littlerock Rd. SW, Ste. 101 | 98512 | (360) 810-2495 |

| Restaurant | Company | Address | Zip | Phone Num |
|-------------------------------|--------------------------------|---|-------|----------------|
| Captain Cook | Captain Cook L&L, Inc | **81-6224 Mamalahoa Hwy., #1 | 96704 | (808) 323-9888 |
| Hilo (Downtown) | Yongan LLC | 348 Kinoole St. | 96720 | (808) 934-0888 |
| Honokohau | Honokohau L & L | Honokohau Commercial Plaza, 74-5035 Queen Kaahumanu Hwy. | 96740 | (808) 329-2838 |
| Keaau | Keaau HB, Inc | 16-586 Old Volcano Road, #104 | 96749 | (808) 982-6668 |
| Keauhou | Keauhou HB, Inc | Keauhou Shopping Center, 78-6831 Alii Dr., #D-155 | 96740 | (808) 322-9888 |
| KTA Kealakekua | Kealakekua L & L, Inc | 81-6602 Mamalahoa Hwy. Kealakekua | 96720 | (808) 323-1916 |
| Lanikai | Lanikai L & L, Inc | Lanikai Center, 75-5595 Palani Road, Ste. A-6 | 96740 | (808) 331-8886 |
| North Kohala | Kohala L & L Inc | 54-3886 Akoni Pule Hwy. | 96755 | (808) 889-0668 |
| Ocean View | Ocean View L & L, Inc | 92-8701 Mamalahoa Hwy. (Next to Malama Market) | 96704 | (808) 929-8888 |
| Pahoa | L & L Puna Kai LLC | Puna Kai Shopping Center, 2714 Pahoa Village Road, Suite C-1 | 96778 | (808) 965-5337 |
| Waiakea | Hilo L & L, Inc | Waiakea Center, 315 Makaala St., Ste. 106B | 96720 | (808) 935-3888 |
| Waikoloa Queens' Marketplace | Queens Marketplace HB, Inc. | Queen's Marketplace, 69-201 Waikoloa Beach Dr., Ste. F3 | 96738 | 808-886-2430 |
| Waikoloa Village | Waikoloa Village HB, Inc. | Waikoloa Plaza 68-1820 Waikoloa Place, Unit #309 Waikoloa, Hawaii | 96738 | 808-731-5888 |
| Waimea - Big Island (Kamuela) | Waimea L&L Inc. | 67-1185 Mamalahoa Highway, Ste. A-105, Waimea, HI | 96743 | 808-885-8880 |
| Hanalei | Hanalei L & L HB, Inc | 2364 Wiliko St., Lihue, HI 96766 | 96714 | (808) 826-7388 |
| Kapaa | Kapaa LL Hawaiian BBQ Inc | Kapaa Shopping Center, 4-1011 Kuhio Hwy., Ste. A-3 | 96746 | (808) 823-8986 |
| Lihue | Lihue HB, Inc | Kukui Grove Shopping Center, 3-2600 Kaumualii Hwy., #1404 | 96766 | (808) 246-3688 |
| Waimea - Kauai | Kauai Waimea L & L HB, Inc | 4492 Moana Rd. | 96796 | (808) 338-1888 |
| Honokowai | Honokowai HB, Inc | 3350 Lower Honoapiilani Hwy., #401, Lahaina | 96761 | 808-667-7788 |
| Kahului | Hui Bing Zhang & Jia Hui Liang | Kahului Shopping Center, 270 Dairy Rd. | 96732 | (808) 873-0323 |
| Kihei | Hi Can | Piilani Shopping Center, 247 Piikea Ave., Ste. 102 | 96753 | (808) 875-8898 |

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|-------------------------------------|-----------------------------------|--|-------|----------------|
| Queen Kaahumanu Center | Royal Island, LLC | **Queen Kaahumanu Center, 275 W. Kaahumanu Ave., #FC06 | 96732 | (808) 873-8889 |
| Aiea | Aiea L & L, Inc | Aiea Shopping Center, 99-115 Aiea Heights Dr., Ste. 125 | 96701 | 486-0577 |
| Aikahi Park | Aikahi Park HB, Inc. | Aikahi Park Shopping Center, 25 Kaneohe Bay Dr., Ste. 124, Kailua | 96734 | (808) 691-9051 |
| Airport | Bryan Andaya & Bo Yu (Paco) Huang | Airport Trade Center, 550 Paiea St., Ste. 132, Honolulu | 96819 | 839-1111 |
| Ala Moana Beach Park - Diamond Head | Ala Moana HB, Inc | Ala Moana Beach Park, Diamond Head Concession Stand 1501 Ala Moana Blvd. Mailing Address: 3027 Hinano St., Honolulu, HI 96815 | 96814 | 941-8882 |
| Ala Wai | Ala Wai HB, Inc. | 404 Kapahulu Ave., #21451 | 96815 | 737-0288 |
| Dillingham | Bing Yan Li | 1505 Dillingham Blvd., Honolulu New Renewal Lease Only Good thru 12/31/2025 Due to Landlord's Development Plans | 96817 | 841-8877 |
| Downtown - Fort Street | Fast Food King, Incorporated | 1111-B Fort Street Mall, Honolulu | 96813 | 521-8891 |
| Enchanted Lake | Enchanted Lake L & L, Inc | 1020 Keolu Dr., Ste. C-6, Kailua | 96734 | 262-4411 |
| Ewa Beach | Ewa Beach L & L, Inc | 91-896 Makule Rd., Ewa Beach | 96706 | 689-3388 |
| Ewa Town | Ewa L & L, Inc | 91-1401 Ft.Weaver Rd., Ste. A-107, Ewa Beach | 96706 | 685-2888 |
| FICOH | Robyn Ishisaka & Eric Ishisaka | 1100 Ward Ave., 5th Floor, Honolulu | 96814 | 840-0505 |
| Haleiwa | Haleiwa L & L, Inc | 66-197 Kamehameha Hwy., Haleiwa | 96712 | 637-4700 |
| Hawaii Kai | Hawaii Kai L & L, Inc | 377 Keahole St., Ste. 102, Honolulu | 96825 | 396-3885 |
| Iwilei | Iwilei L & L, Inc | 801 Dillingham Blvd., Ste. 1-E, Honolulu | 96817 | 521-8886 |
| Kahala | Kahala L & L, Inc | 4618 Kilauea Ave., Ste. 9, Honolulu NEW LEASE dated 10/24/2017. Commencement date: 4/15/2018 est. 700 sq ft, starts at \$6195 rent + 1204NNN per month Landlord: Trustees of the Estate of Bernice Pauahi Bishop Mailing Address: 1318 10th Ave., Honolulu, HI 96816 | 96816 | 732-4042 |
| Kailua | Elaine Chow & Phat Nghiep Pham | 26 Hoolai St., Ste. 300, Kailua | 96734 | 262-1113 |
| Kaimuki | Kaimuki L & L, Inc | 3133 Waialae Ave., Honolulu | 96816 | 735-1813 |
| Kamehameha Shopping Center (Kalihi) | Kamehameha L & L Inc | Kamehameha Shopping Center, 1620 N. School St., #D-2 Mailing Address: 500 University Ave., #912, Honolulu, HI 96826 | 96817 | 841-1777 |

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| Kaneohe Bay Shop. Center | Great Way, Inc | Kaneohe Bay Shopping Center, 46-047 Kamehameha Hwy., Kaneohe | 96744 | 235-5115 |
| Kaneohe Windward City | Windward City L & L HB, Inc. | Kaneohe Windward City, 45-480 Kaneohe Bay Dr., Kaneohe | 96744 | 236-3030 |
| Kapolei - Ka Makana Ali'i | Ka Makana Alii L & L, Inc | Ka Makana Ali'i Mall, 91-5431 Kapolei Pkwy., Ste. C-110 | 96707 | 670-2588 |
| Kapolei - Marketplace | K & H 38 Corporation | The Marketplace at Kapolei, 590 Farrington Hwy., Ste. 516, Kapolei | 96707 | 674-8088 |
| Kapolei - Village Center | Kapolei Village Center L & L, Inc | Kapolei Village Center, 4850 Kapolei Pkwy., #B-3 | 96707 | 674-2277 |
| KBAY | KBAY HB, Inc | Marine Corps Base Kaneohe 1255 5th St. (Bldg. 1255) (Former space for K-Bay's Chinese Garden) | 96863 | 744-4328 |
| Ke'eumoku | Flores / Kam & Samuel Li | Wal-Mart, 700 Keeaumoku St., Honolulu Mailing Address: 710 Keeaumoku St., Honolulu | 96814 | 955-3382 |
| Laie | Laie L & L, Inc | 55-510 Kamehameha Hwy., Laie | 96762 | (808) 293-8887 |
| Liliha | Sam Pun & Roque Pun | 1711 Liliha St., Honolulu | 96817 | 533-3210 |
| Manoa Marketplace | Mano HB, Inc | Manoa Marketplace 2752 Woodlawn Drive, Suite 5-111, Honolulu (former Manoa BBQ space) | 96822 | (808) 988-4979 |
| Mapunapuna | Mapunapuna L & L, Inc | 970 Ahua St., Honolulu | 96819 | (808) 988-4979 |
| Market City | Market City L & L, Inc | **Market City Shopping Center, 2919 Kapiolani Blvd., #103 | 96826 | 737-8899 |
| Mililani | Mililani L & L Inc | Mililani Marketplace, 94-780 Meheula Pkwy., Mililani | 96789 | 623-8886 |
| Mililani Mauka | Mililani Mauk L & L HB, Inc | The Gateway at Mililani Mauka, 95-1057 Ainamakua Dr., #F7/F8 | 96789 | 626-8828 |
| Nanakuli | Nanakuli L & L, Inc | Nanakuli Village Shopping Center 89-102 Farrington Hwy., Ste. 4F | 96792 | 668-6888/668-6668 |
| Old Stadium | Fong Po Wu | Old Stadium Mall, 2320 S. King St., Honolulu | 96826 | 951-8333 |
| Pearl City | Pearl City Shops L & L, Inc | 1029 Makolu St., Ste. G | 96782 | 456-0708 |
| Pearlridge Uptown | B & K Whole Sales's, Retail Inc. | Pearlridge Center, Uptown Foodcourt 98-1005 Moanalua Rd., Unit 6B, Aiea | 96701 | 888-2008 |
| Royal Kunia | Lian Fa LLC | Royal Kunia Shopping Center, 94-615 Kupuohi St., Ste. 209, Waipahu | 96797 | 680-9368 |
| Sand Island | Sand Island L & L, Inc | 111 Sand Island Access Rd., Ste. R-7, Honolulu | 96819 | 843-1806 |
| University - Palms Food Court | Huang's L&L, LLC | Paradise Palms Café, 2560 Mccarthy Mall | 96822 | 956-3170 |

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| Wahiawa | New CT Investment Inc. | 138 S. Kamehameha Hwy. | 96786 | 621-3969 |
| Waianae | Kenneth Lee | 85-080 Waianae Valley Rd. | 96792 | 696-7989 |
| Waikiki | Royal Waikiki L&L, Inc. | Royal Hawaiian Center, Paina Lanai Food Court, Second Floor, 233 Kalakaua Avenue, Suite B3 | 96815 | (808) 744-2795 |
| Waimanalo | Waimanalo L & L , Inc | 41-1610 Kalaniana'ole Hwy. | 96795 | 259-6888 |
| Waipahu | Shun Feng LLC | Waipahu Shopping Plaza, 94-300 Farrington Hwy., Ste. F-6 | 96797 | 671-3883 |
| Waipahu Town Center | Hinson Investment, Inc | Waipahu Town Center 94-050 Farrington Hwy., #B1-3 | 96797 | 678-9800 |
| Ward Center | Ward Center HB, Inc | 310 Kamakee St., Honolulu | 96814 | 597-9088 |

| | Restaurant | Company | Address | Zip | Phone Num |
|-------|------------|------------|---|----------|-----------|
| Japan | Enoshima | Chuck Mori | 1-3-18 Shichirigahama, Kamakura-shi, Kanagawa-ken | 248-0026 | |
| | Shibuya | Chuck Mori | 2270 Fussa, Fussa-shi, Tokyo | 197-0011 | |

EXHIBIT G

Approved Suppliers/Manufacturers

To maintain quality and consistency, all L & L Hawaiian Barbecue Restaurants must use the following products:

| | |
|--|---------------------------|
| Fountain/drinks | Pepsi |
| French Fries | J.R. Simplot |
| L & L Logo Cups | Graphic Packaging/Lolicup |
| Spices, extracts, food colors | McCormick |
| Mayonnaise | Best Foods/Hellmann's |
| Canned and processed meat products | Hormel |
| Foods (bacon, ham & Spam) | |
| L & L Proprietary Kalua Pork | Hormel |
| Chicken broth | Unilever's Caldo de Pollo |
| L & L Proprietary hamburger patties | Cargill Foods |
| Lau Lau | Keoki's |
| Elbow macaroni | Pasta Montana |
| Ketchup, tomato sauce/puree, condiments | Hunt's |
| Ramen style noodles | Sun Noodle |
| Ramen soup base | Sun Noodle |
| Soy sauce | Yamasa |
| Hawaiian juice drinks | Hawaiian Sun |
| Rice | Farmer's Rice |
| Cooperative | |
| L & L Logo t-shirt bags (12x7x22 and 9x6/17.5) | Elkay Plastics |
| Shrimp, breaded | Certi-Fresh Foods |
| Basa/Swai | Certi-Fresh Foods |
| Panko breadcrumbs | Upper Crust Enterprises |
| Merchant Services | FISERV |
| Clover System Point of Sales | FISERV |
| Third Party Delivery Vendor | Doordash |
| Third Party Delivery Vendor | Grubhub |
| Third Party Delivery Vendor | UberEats |
| Kitchen Equipment – Fryers | Frymaster |
| Kitchen Equipment – Flat Grill | Wolf |
| Mobile App | Loyalty Plant |
| Kitchen Equipment/Smallwares | Quicksupply |
| Oil life extension device | Oil Chef |

EXHIBIT H

Reserved

EXHIBIT I

Franchise Compliance Questionnaire

L & L Franchise, Inc.
Franchisee Compliance Certification

[Note: This Franchisee Compliance Questionnaire shall not be provided to any prospective franchisees or otherwise utilized by Franchisor in the following states: California, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, Hawaii, Illinois, Indiana, Virginia, Washington, and Wisconsin.]

As you know, you and L & L Franchise, Inc. (the "Franchisor") are preparing to enter into a Franchise Agreement for the establishment and operation of one or more "L & L Hawaiian Barbecue" franchised businesses ("Restaurants"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

a. _____, 20____ The date of my first face-to-face meeting with
Initials _____ any person to discuss the possible purchase
of a Restaurant.

b. _____, 20____ The date on which I received Franchisor's
Initials _____ Franchise Disclosure Document ("FDD").

c. _____, 20____ The date when I received a fully completed
Initials _____ copy (other than signatures) of the Franchise
Agreement and Addenda (if any) and all other
documents I later signed.

c. _____, 20____ The date on which I signed the Franchise
Initials _____ Agreement.

2. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement and each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement do you not understand? (Attach additional pages, as needed.)

4. Have you received and personally reviewed the FDD that was provided to you?

Yes _____ No _____

5. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

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

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

7. Have you discussed the benefits and risks of establishing and operating a Restaurant with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your Restaurant will depend in large part upon 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 _____

9. Do you understand that no agreement or addendum is effective until it is also signed and dated by the Franchisor?

Yes _____ No _____

10. Do you understand that there are no promises, representations (other than in the franchise disclosure document), agreements, "side deals," or other arrangements, written or oral, that are not in the Franchise Agreement?

Yes _____ No _____

If you have answered "No" to any one of questions 8-10, please provide a full explanation of each No answer in the following blank lines. (Attach additional pages, as needed,

and refer to them below.) If you have answered "Yes" to each of questions 8-10, please leave the following lines blank.

11. Has any person speaking for the Franchisor made any statement or promise concerning the revenues, profits or operating costs of a Restaurant operated by the Franchisor or its franchisees that differs from the information contained in the FDD?

Yes _____ No _____

12. Has any person speaking for the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Restaurant that differs from the information contained in the FDD?

Yes _____ No _____

13. Has any person speaking for the Franchisor made any statement or promise concerning the total amount of revenue that your Restaurant will generate?

Yes _____ No _____

14. Has any person speaking for the Franchisor made any statement or promise regarding the costs you may incur in operating your Restaurant that differs from the information contained in the FDD?

Yes _____ No _____

15. Has any person speaking for the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Restaurant?

Yes _____ No _____

16. Has any person speaking for the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will provide to you that differs from the information contained in the FDD?

Yes _____ No _____

17. Did you enter into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

18. Did you pay any money to the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

If you have answered "Yes" to any one of questions 12-19, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "No" to each of questions 12-19, please leave the following lines blank.

19. Do you understand that all disputes and claims you may have under the Franchise Agreement and the Personal Guarantee must be heard in the courts of Hawaii (if they cannot be resolved informally or by mediation)?

Yes _____ No _____

20. Do you understand that the Franchise Agreement and the Personal Guarantee provide that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

Yes _____ No _____

21. Do you understand that the Franchise Agreement includes a waiver of jury trials?

Yes _____ No _____

22. Do you understand that if the Franchisor provides site selection assistance, guidance or recommendations, that any recommendations, suggestions, or approvals of a proposed site are not a warranty, guarantee or representation that the site will achieve any level or amount of sales, revenue or profit as a Restaurant location?

Yes _____ No _____

23. Do you understand that the Franchise Agreement contains a number of provisions, in addition to the waiver of jury trial, that may affect your legal rights, including a waiver of punitive or exemplary damages, and limitations on when claims may be raised?

Yes _____ No _____

24. Do you acknowledge and represent to Franchisor that (a) you or the entity that you form to be a franchisee or developer will be the employer of all of your employees and will have sole discretion and authority to hire, fire, discipline, compensate and schedule working hours for, all of your employees; and (b) Franchisor and Franchisor's affiliates will have no control, or right to control, any of the employment actions or decisions in

your business? We recommend that you retain employment law counsel to advise you with your employment issues and questions.

Yes _____ No _____

25. As you have reviewed the financial performance representations in Item 19 of the Disclosure Documents, do you understand that:

- a. Item 19 contains only historical data from certain franchised and affiliate-owned Restaurants, and are not a promise, assurance or guaranty of future results of your franchised Restaurant;
- b. your results are likely to differ from the historical results reported;
- c. your results as a start-up business and Restaurant are likely to be different than existing Restaurant; and
- d. you have had ample opportunity to review Item 19 with a lawyer, accountant and/or other advisor of your choosing?

Yes _____ No _____

26. Do you understand:

- a. that this franchise business may be impacted by other risks, including those outside your or our control such as local, national or global economic, political or social disruption, such as the 2020 COVID-19 outbreak?
- b. that such disruptions, and any preventative, protective, or remedial actions that federal, state, and local governments may take in response to a disruption may result in a period of business disruption, reduced customer demand, and reduced operations for Restaurants, and may require that we take actions that might not be contemplated under the Franchise Agreement?
- c. the extent to which any such disruption impacts the L & L Hawaiian Barbecue system, and your franchise business, will depend on future developments which are highly uncertain and which we cannot predict?

Yes _____ No _____

27. During my negotiations and evaluations leading up to my decision to buy a Restaurant franchise, I communicated with the following individuals from L & L Franchise, Inc. or its affiliates, or independent brokers:

Name

Address

- 1. _____
- 2. _____
- 3. _____

- 4. _____
- 5. _____
- 6. _____

[Insert additional names and addresses below if needed]

[Signature Page Follows]

Your responses to these questions are important to us and we will rely on them.

By signing this Questionnaire, you are representing to us that you have responded honestly, accurately, and completely to each of the above questions.

FRANCHISE APPLICANT

Signed

Printed Name

_____, 20_____
Date

Exhibit J:
Table of Contents to the Manual

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EXHIBIT K

State Effective Dates

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

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

| STATE | EFFECTIVE DATE |
|------------|----------------|
| California | |
| Hawaii | |
| Illinois | |
| Maryland | |
| New York | |
| Washington | |
| Virginia | |

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

Exhibit L:

RECEIPT

This disclosure document summarizes certain provisions of the development agreement, the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If L & L Franchise, Inc. offers you a franchise, it must provide this disclosure document to you (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) under New York law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) under Michigan law, at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first, or (d) under Iowa law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 14 calendar days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale.

If L & L Franchise, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is L & L Franchise, Inc., 2138 Algaroba Street Honolulu, Hawaii 96826, Phone: (808) 951-9888, Attn: .Elisia Flores

Issuance date: May 20, 2024

The franchise seller for this offering is: Elisia Flores, Josie Akana, and

We authorize the respective state agencies identified on Exhibit A to receive service of process for us in the particular state.

I received a Disclosure Document from L & L Franchise, Inc., dated May 20, 2024, that included the following Exhibits:

- A. L & L Franchise, Inc. Franchise Agreement
- A-1. State Addenda to Disclosure Document
- B. Reserved
- C. Financial Statements
- D. Sample Release
- E. Agency/Agent for Service of Process
- F. Current Franchisees
- G. Approved Suppliers/Manufacturers
- H. Reserved
- I. Franchise Compliance Questionnaire
- J. Table of Contents to the Manual
- K. State Effective Dates Page
- L. Receipts

Dated: _____

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

(Name of corporation or LLC)

(Signature)

By: _____

(Print Name)

Its _____
(Title)

(Signature)

(Print Name)

(Print Name)

(Signature)

(Print Name)

Address of corporation, LLC, or individual(s):

OUR COPY- RETURN TO US

You may return the signed receipt either by signing, dating, and mailing it to L & L Franchise, Inc. at 2138 Algaroba Street, Honolulu, Hawaii 96826, by faxing a copy of the signed receipt to L & L Franchise, Inc. at (808) 951-9888, or by emailing us at Franchising@lhawaii.com.

RECEIPT

This disclosure document summarizes certain provisions of the development agreement, the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If L & L Franchise, Inc. offers you a franchise, it must provide this disclosure document to you (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) under New York law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) under Michigan law, at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first, or (d) under Iowa law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 14 calendar days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale.

If L & L Franchise, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

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Dated: _____

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

(Name of corporation or LLC)

(Signature)

By: _____

(Print Name)

Its _____
(Title)

(Signature)

(Print Name)

(Print Name)

(Signature)

(Print Name)

Address of corporation, LLC, or individual(s):

YOUR COPY- RETAIN FOR YOUR FILES