

FRANCHISE DISCLOSURE DOCUMENT

YOSHINOYA AMERICA, INC.

(a Delaware corporation)

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<http://www.yoshinoyaamericafranchise.com>

<http://www.yoshinoyaamerica.com>



You will own and operate a Yoshinoya (a “**Yoshinoya Restaurant**”). Yoshinoya Restaurants are quick-service restaurants that feature freshly-prepared, quality Japanese-style foods.

The total investment necessary to open a single Yoshinoya Restaurant will range from \$456,150 to \$2,153,900. This includes \$39,500 that must be paid to us or our affiliates.

You may be eligible to sign an Area Development Agreement to develop multiple Yoshinoya Restaurants under certain development deadlines. The total investment necessary under the Development Agreement is the product of \$13,750 (50% of the \$27,500 Initial Franchise Fee) multiplied by the number of Restaurants you agree to develop. We credit \$13,750 of the fees paid under the Development Agreement to the Initial Franchise Fee for each Franchise Agreement you sign.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss availability of the disclosure document in another format, contact Yoshinoya America, Inc., Attn: Franchise Department, 991 Knox Street, Torrance, California 90502 (phone: 310/527-6060; e-mail: franchising@yoshinoyaamerica.com).

The terms of your contract govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission (“**FTC**”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 16, 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 K.
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 L 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 Yoshinoya business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Yoshinoya franchisee?	Item 20 or Exhibit K 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 M.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in the state of California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **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 guaranty will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Certain state 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.

TABLE OF CONTENTS

ITEM	Page
ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2. BUSINESS EXPERIENCE.....	6
ITEM 3. LITIGATION.....	7
ITEM 4. BANKRUPTCY	7
ITEM 5. INITIAL FEES	7
ITEM 6. OTHER FEES.....	11
ITEM 7. ESTIMATED INITIAL INVESTMENT	21
ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	27
ITEM 9. FRANCHISEE'S OBLIGATIONS	30
ITEM 10. FINANCING.....	31
ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	31
ITEM 12. TERRITORY.....	42
ITEM 13. TRADEMARKS.....	46
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	48
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	50
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	51
ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	51
ITEM 18. PUBLIC FIGURES.....	58
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS.....	58
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION	59
ITEM 21. FINANCIAL STATEMENTS	61
ITEM 22. CONTRACTS	61
ITEM 23. RECEIPTS.....	61

LIST OF EXHIBITS

EXHIBIT A	-	FTC and State Administrators List
EXHIBIT B	-	Agents for Service of Process
EXHIBIT C	-	Franchise Agreement
EXHIBIT D	-	Area Development Agreement
EXHIBIT E	-	General Release
EXHIBIT F	-	Sublease
EXHIBIT G	-	Guaranty of Sublease
EXHIBIT H	-	Addendum to Lease
EXHIBIT I	-	Confidentiality, Non-Disclosure and Non-Competition Agreement
EXHIBIT J	-	Personal Guaranty
EXHIBIT K	-	Information of Franchisee and Former Franchisees
EXHIBIT L	-	Financial Statements
EXHIBIT M	-	State Addenda
EXHIBIT N	-	Advertising Addendum to Franchise Agreement
EXHIBIT O	-	Spousal Consent
EXHIBIT P	-	Table of Contents to Manuals
EXHIBIT Q	-	State Effective Dates
EXHIBIT R	-	Receipts

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

In this Franchise Disclosure Document, “we,” “our,” or “us” means Yoshinoya America, Inc., the franchisor. “You” or “your” means the person or entity who buys the franchise, including all equity owners, of a corporation, general partnership, limited partnership, limited liability company, or any other type of entity (an “Entity”). If you are an Entity, each individual with direct or indirect ownership interest in you is referred to as an “Owner” The term “Franchised Business” means the restaurant we license you to operate.

Our Business.

We are a Delaware corporation incorporated in 1977. Our principal business address is 991 Knox Street, Torrance, California 90502. We do business under our corporate name and also under the names “YOSHINOYA” and “YOSHINOYA JAPANESE KITCHEN.” We began offering Yoshinoya Restaurant franchises on October 1, 2008 and our predecessor began offering Yoshinoya Restaurant franchises in 1996. We have owned and operated Yoshinoya Restaurants in California since 1979. The Yoshinoya Restaurants we own are similar to the Franchised Business described in this Franchise Disclosure Document. The addresses of the Yoshinoya Restaurants that we operated, as of December 31, 2023, are listed in **Exhibit K**. Our agents for service of process are disclosed in **Exhibit B**. In addition to offering franchises, we also sell products to wholesale accounts that offer products using the Yoshinoya® at retail, such as supermarkets and other similar retail outlets.

There may be situations when, at your request, we or an affiliate we choose will lease the premises for the Franchised Business from the real estate owner and sublease the premises to you. At this time, we have not identified an affiliate we will use to do this. The affiliate may be a new company (not now in existence) formed to hold real estate master leases and subleases for properties that Yoshinoya franchisees operate.

We, Our Parents, Predecessors and Certain Affiliates.

Operations Within the U.S.

On October 1, 2008, Yoshinoya West, Inc. (“**Yoshinoya West**”), a Delaware corporation, merged with two of its affiliates (the “**Merger**”): (1) Yoshinoya Franchise of North America, Inc. (“**YFNA**”), a California corporation, organized January 23, 1996, which administered the YOSHINOYA franchise program since it started in 1996; and (2) Yoshinoya America, Inc. (“**YAI**”), a Delaware corporation organized January 1, 2003, which was the parent company of YFNA and Yoshinoya West. Prior to the merger, Yoshinoya West developed, owned and operated Yoshinoya Restaurants in California since 1979. Yoshinoya West, YFNA, and YAI had the same principal address as we have now.

Yoshinoya West was the surviving corporation of the Merger and, on October 1, 2008, we changed our name to Yoshinoya America, Inc. As a result of the Merger, YFNA is our predecessor-franchisor. Neither we nor our predecessors or affiliates listed above offered or sold franchises in any other line of business, although we reserve the right to do so.

Operations Outside the U.S.

The first Yoshinoya Restaurant opened in 1899 in Japan. It was a family business of the founders of Yoshinoya Co. Ltd (“**Yoshinoya Co.**”). Since 1973, Yoshinoya Co., directly and through its predecessor and affiliates, has franchised Yoshinoya Restaurants in Japan and other Asian markets that use the same principal trademarks we use in the United States.

Both we and Yoshinoya Co. are wholly-owned subsidiaries of YOSHINOYA HOLDINGS CO., LTD. (“**Yoshinoya Holdings**”), a Japanese corporation organized in 1958, which formerly conducted business under the name, Yoshinoya D&C Co., Ltd. Yoshinoya Holdings’ principal address is 18F Daiwa Rivergate, 36-2 Nihonbashi Hakozaicho, Chuo-ku, Tokyo 103-0015, Japan.

Yoshinoya Holdings has other wholly-owned foreign subsidiaries that operate and franchise restaurants in Japan and/or other Asian markets. We list the foreign affiliates that offer franchises below. Except for Yoshinoya Holdings, Yoshinoya Co., Yoshinoya China Holdings Co., Ltd., and Asia Yoshinoya International Sdn Bhd., which we discuss below, the foreign affiliates do not operate or offer franchises under the “YOSHINOYA” name.

Yoshinoya Restaurants in Japan differ from Yoshinoya Restaurants described in this Franchise Disclosure Document. The differences are mostly related to restaurant design and menu items. The Yoshinoya Restaurants in Japan serve gyudon (a traditional Japanese style beef and rice bowl) similar to the Beef Bowl® served by Yoshinoya Restaurants in the United States, but they also serve a traditional Japanese breakfast and other items that Yoshinoya Restaurants in the United States do not feature. The Japan Yoshinoya Restaurants also have sit-down counter and table service. The franchised Yoshinoya Restaurants in Asian markets outside Japan are more similar to the Yoshinoya Restaurants described in this Franchise Disclosure Document than to the Yoshinoya Restaurants in Japan.

Our affiliate Setagaya Co., Ltd. (“**Setagaya**”), a Japanese corporation organized in Japan, presently franchises one (1) location within the United States, specifically in the state of New York. Setagaya’s principal business address is Jiyugaoka K’s No. 301, 5-26-3 Okusawa, Setagaya-ku, Tokyo, 158-0083, Japan. Aside from this location, we are not aware of any of the foreign affiliates having a present plan to open or franchise restaurants in the United States. The activities of the foreign affiliates are not material to our franchisees in the United States. Neither Yoshinoya Holdings nor our other foreign affiliates provide goods or services to our franchisees or engage in franchise activities in the United States.

Foreign affiliates that offer franchises under the “Yoshinoya” trademark	
YOSHINOYA CO., LTD. 18F Daiwa Rivergate, 36-2 Nihonbashi Hakozaicho, Chuo-ku Tokyo 103-0015, Japan Phone: 81-3-5651-8601 Note: Has 69 Yoshinoya franchises in Japan	[This column is intentionally left blank]

Foreign affiliates that offer franchises under the “Yoshinoya” trademark	
ASIA YOSHINOYA INTERNATIONAL SDN. BHD. Jalan Subang5, Taman Perindustrian Subang 47610 Subang Jaya, Selangor, Malaysia Phone: 60-3-5622-5390 Note: Offers Yoshinoya franchises in Southeast Asia. Consists of 9 in Philippines, 151 in Indonesia, 26 in Thailand, 1 in Vietnam, and 3 in Cambodia.	YOSHINOYA CHINA HOLDINGS CO., LTD. Room C2, 28th Floor, East Building, Shanghai Hi-tech King World, No.666, Beijing East Road, Huangpu District, Shanghai China Phone: 86-21-6322-0723 Note: Established in June 2015 to offer franchises in China; currently has 519 franchises in China

Foreign affiliates that offer franchises in another line of business:

HANAMARU, INC. 18F Daiwa Rivergate, 36-2 Nihonbashi Hakozakicho Chuo-ku, Tokyo 103-0015, Japan Phone: 81-3-5651-8701 Line of business: Noodle shops Brand: Hanamaru Udon Note: 4 franchise shops in Japan	SETAGAYA CO., LTD. Jiyugaoka K's No. 301, 5-26-3 Okusawa. Setagaya-ku, Tokyo, 158-0083, Japan Phone: 81-3-5731-6511 Line of business: Ramen noodle shops Brand: Setagaya, Hirugao, Fukumori, Oreshiki-Jun, Fukumi, Waraibuta Note: Has 3 franchise shops in Japan and 1 in New York
<i>[This column is intentionally left blank]</i>	WITHLINK CO.,LTD. 1-5-30-2,Tomominami,Asaminami-ku Hiroshima city, Hiroshima 731-3168, Japan Phone: 81-82-849-6667 Line of business: Ramen noodle shops Brands: Bariuma, Bariuma Jr., Torinosuke, Fuunmaru, Note: Has 30 franchises in Japan, 1 in China, 6 in the Philippines, 4 in Malaysia, 9 in Indonesia, 5 in Hong Kong, and 2 in Australia

We have no affiliate (U.S. or foreign) that provides products or services to Yoshinoya franchisees in the U.S., but we may provide products or services to franchisees directly.

Except as described above, we have no other parents, predecessors, or affiliates that must be included in this Item.

The Franchise Offering.

We offer qualified individuals or business entities a franchise to own and operate a Franchised Business, which is a quick-service restaurant featuring freshly prepared Japanese style foods and beverage products. Menu items feature a variety of rice bowl sizes and selections, including the signature Beef Bowl®, Ribeye Steak, Teriyaki Chicken, and Salmon, as well as soup, desserts, freshly prepared side dishes and beverages. As our franchisee, you will conduct business under the service mark “YOSHINOYA” and any other identifying marks, trade names, logos, and symbols that we use now, or that we later develop (the “**Marks**”), and use our unique system for the establishment, development, and operation of the Franchised Business (the “**System**”).

The System includes our distinctive exterior and interior layouts, designs, and color schemes; our distinctive signage, decorations, furnishings and materials; our software and computer programs; our selection of approved products that you may offer and sell; our proprietary recipes and formulae (“**Recipes**”) used to create our proprietary flavorings or ingredients (“**Proprietary Ingredients**”) and/or our proprietary products (the “**Proprietary Products**”); our distinctive techniques for packaging, displaying, and merchandising products; our advertising and marketing programs and materials; our relationships with our vendors; our methods of operating a food-related business; our operations and administrative systems; our training programs; our methods and techniques for inventory and cost controls, recordkeeping, and reporting; our customer service standards; and any guidelines, standards, specifications, rules, procedures, policies, methods, requirements, and directives we establish, including without limitation, our standards and specifications as to Recipes, ingredients, food and beverage preparation, food storage, interior and exterior design and décor, sanitation, maintenance, and equipment (the “**Standards**”) set out in our confidential brand standards manuals (the “**Manuals**”) and otherwise in writing. The Manuals include the document called “Yoshinoya Franchise Systems Manual” and all other written, electronic, video, and audio recorded policies, procedures, techniques, memos, bulletins, newsletter, forms, guidelines, and other materials prepared by us in connection with the System or to assist you in the operation of your Franchised Business. We may change, improve, add to, and further develop the elements of the System from time to time.

The form of Franchise Agreement we currently offer is the Franchise Agreement attached as **Exhibit C** to this Franchise Disclosure Document (the “**Franchise Agreement**”). The various forms of agreement we or our predecessors have used in the past may have terms different from the current form. We reserve the right to change the form and terms of the Franchise Agreement in the future.

We may, in our sole discretion, offer you the opportunity to enter into an Area Development Agreement (“**Area Development Agreement**”), under which you will develop and open a predetermined number of Yoshinoya Restaurants (the “**Development Quota**”) by certain deadlines (the “**Development Deadlines**”) within a specific geographic territory (the “**Development Territory**”). A copy of our form of Area Development Agreement is attached to this Franchise Disclosure Document as **Exhibit D**. The Franchise Agreement for the first Franchised Business that you develop under the Development Agreement will be in the form attached as **Exhibit C** to this Franchise Disclosure Document. For each additional Yoshinoya Restaurant that you develop under the Area Development Agreement, you must sign our then-current form of Franchise Agreement by the deadline set forth in the Development Deadlines. The form of that Franchise Agreement may be different from the form of Franchise Agreement included in this Franchise Disclosure Document. If you do not sign an Area Development Agreement, you will have no rights to develop or operate more than one Franchised Business,

unless you sign additional Franchise Agreements. If you fail to meet the Development Quota for any of the Development Deadlines, we can terminate the Area Development Agreement and your rights under it.

As part of our application process, you must complete an application and successfully pass a financial credit check. You may also be asked to successfully complete a test of basic competency in the English language, an operations interview, and a criminal background check.

Competition & Market.

The market for restaurant services is extremely well-established. You will be in competition with a variety of fast food and quick service restaurants, casual full-service restaurants, and other food service businesses (including both local businesses and local, regional, and national chains, some of which may have more locations or longer operating histories than Yoshinoya Restaurants) offering similar food and beverage products for on-premises consumption, delivery, and carry-out. The market for the products offered at Yoshinoya Restaurants is well-developed and very competitive.

Moreover, the restaurant business is highly competitive with respect to concept, price, location, food quality, and service. The business is often affected by economic and real estate conditions, political conditions, consumer tastes, population changes, the cost and availability of products and qualified labor, and traffic patterns. There also is significant competition for suitable commercial real estate sites and personnel, including management personnel.

You may also compete with the distribution and sale of Yoshinoya® branded products through other outlets and sales channels. We may sell, or license affiliates or third parties to sell, Yoshinoya® branded products (including products that you are likely to sell in your Franchised Business) (i) at wholesale to retail stores (including grocery stores, convenience stores, club stores, and other outlets) that may be located anywhere, (ii) through non-traditional outlets, (iii) through mail order and Internet sales, (iv) through Delivery Kitchens (as defined in Item 12), or (v) through other company-owned or franchised Restaurants. You will not be entitled to additional rights or compensation in any of these cases. See Item 12 for details regarding our reserved rights.

Laws and Regulations.

You must comply with all federal, state, and local laws and regulations applicable to businesses generally, including, without limitation, laws and regulations related to workers' compensation, occupational health and safety, minimum wage, overtime, working conditions, discrimination, sexual harassment, tax, environmental protection, citizenship and/or immigration status (including laws requiring verification of status through the Department of Homeland Security's E-Verify program), and reasonable accommodations for employees and customers with disabilities (including the Americans with Disabilities Act).

You must ensure that your computerized point-of-sale system (the "**POS System**") or your credit card processing terminals (whichever are responsible for processing credit card transactions) are in compliance with the most current Payment Card Industry Data Security Standards ("**PCI-DSS**"). You also must comply with all applicable federal and state laws and regulations relating to the collection, use, and security of personal information and comply with any privacy policies or data protection and breach response policies we periodically may establish.

Various federal agencies, including the U.S. Food and Drug Administration and the U.S. Department of Agriculture, and state and local health and sanitation agencies have regulations for the preparation of food and the condition of restaurants and food service facilities. You must comply with all federal, state, and local laws and regulations applicable to restaurants and food service facilities, including, without limitation, licensing, health, sanitation, menu labeling, food preparation and packaging, smoking, safety, fire, and other matters. Some jurisdictions may require franchisees to obtain restaurant, business, occupational, food products, health, and miscellaneous licenses.

The Clean Air Act and state implementing laws also may require certain geographic areas to attain and maintain certain air quality standards for ozone, carbon monoxide and particulate matters. As a result, businesses involved in commercial food preparation may be subject to caps on emissions.

You should consult with your attorney about federal, state, and local laws and regulations that may affect your Franchised Business.

ITEM 2. BUSINESS EXPERIENCE

JONATHON GILLIAM, Chief Executive Officer

Mr. Gilliam became our Chief Executive Officer in April 2021. Before joining Yoshinoya, he was Vice President of Operations at Focus Brands in Atlanta, Georgia from September 2018 to April 2021. Mr. Gilliam serves in his present capacity in Torrance, California.

PETROS KESHISHYAN, Vice President of Finance

Mr. Keshishyan became our Vice President of Finance in November 2023. Before joining Yoshinoya, he was Senior Director of Financial Planning and Analysis at United Pacific in Long Beach, California from January 2016 to November 2023. Mr. Keshishyan serves in his present capacity in Torrance, California.

YERLING VALLEJOS, Vice President of Operations

Ms. Vallejos became our Vice President of Operations in November 2023. Before joining Yoshinoya, she was the Director of Digital Transformation at Taco Bell of America in Irvine, California from July 2021 to April 2021. She also served as the Director of Business Development at Taco Bell International in Irvine, California from June 2019 to June 2021. Ms. Vallejos serves in her present capacity in Torrance, California.

JANET FISHER, Vice President of People, Culture, and Learning & Development

Ms. Fisher became our Vice President of People, Culture, and Learning & Development in July 2021. From August 2020 to July 2021, she served as our Senior Director of Human Resources and Learning and Development. From April 2018 to August 2020, she served as our Director of Field Human Resources and Learning and Development. Ms. Fisher serves in her current capacity in Torrance, California.

ITEM 3. LITIGATION

No litigation must be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy must be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Fees

Initial Franchise Fee

When you sign the Franchise Agreement you must pay us an initial franchise fee (the “**Initial Franchise Fee**”) in the amount of \$27,500. We will not refund any part of the Initial Franchise Fee paid under the Franchise Agreement.

Territorial Rights Fee

We may, in our sole discretion, offer you the opportunity to enter into an Area Development Agreement, under which you will develop and open a predetermined number of Yoshinoya Restaurants by certain Development Deadlines, within a specific geographic the Territory. If you sign an Area Development Agreement, you must pay us a “**Territorial Rights Fee**” equal to 50% of the Initial Franchise Fee multiplied by the total number of Yoshinoya Restaurants you commit to open during the Area Development Agreement’s term. As an example, if you commit to open 10 restaurants, the Territorial Rights Fee will be \$13,750 (being 50% of the current \$27,500 Initial Franchise Fee) multiplied by 10 for a total of \$137,500.

The Territorial Rights Fee is calculated in the same manner for all franchisees entering into Area Development Agreements under this offering, but the actual dollar amount paid will vary depending on the number of Yoshinoya Restaurants you agree to develop. The Territorial Rights Fee is considered fully earned and non-refundable when paid. You and we will sign a separate Franchise Agreement for each Yoshinoya Restaurant to be developed under the Area Development Agreement. The form of the Franchise Agreement will be our then-current form and may contain terms that differ materially from the Franchise Agreement attached to this Franchise Disclosure Document.

When you sign the Franchise Agreement for each restaurant to be developed under the Area Development Agreement, we will credit \$13,750 of your Territorial Rights Fee towards payment of the then-current Initial Franchise Fee due under the then-current form of Franchise Agreement. At the time you sign the then-current Franchise Agreement, you must pay us the remaining balance of the then-current Franchise Fee. However, we discount the Initial Franchise Fee according to the number of Yoshinoya Restaurants that you commit to develop, as shown in the chart below.

Number of Yoshinoya Restaurants to be Developed	Initial Franchise Fee	Discount Applied
1	\$27,500	None
2 and 3 each	Then-current Initial Franchise Fee	20%
4 and 5 each	Then-current Initial Franchise Fee	30%
6 & higher, each	Then-current Initial Franchise Fee	50%

If you fail to meet the Development Quota for any of the Development Deadlines, we can terminate the Area Development Agreement and your rights under it. We will not refund any part of the Territorial Rights Fee paid under the Area Development Agreement.

Extension Fee

You may request an extension of up to 6 months to identify a location and sign a lease, sublease, or other rental agreement (the “**Lease**”) for the Franchised Business. We have no obligation to provide an extension and may elect not to provide any additional extensions if any were previously given. We may condition granting the extension (up to 6 months) on the following: you apply for the extension prior to the expiration of the time to do so under the Franchise Agreement (i.e. prior to the 6 month deadline to sign the Lease and/or 1 year deadline to open the Franchised Business); you show diligent and active efforts in identifying a location, signing the Lease and/or opening the Franchised Business; and you pay us a \$1,500 non-refundable extension fee (“**Extension Fee**”).

Site Review Fee

If you request that we make more than one on-site visit, or if we determine that more than one on-site visit is necessary to select the Accepted Location for your Franchised Business, or if an on-site visit is requested or required in connection with relocation of your Franchised Business or the selection of any additional Franchised Business you will own, you must pay our then-current per diem site review fee (“**Site Review Fee**”) and reimburse our travel expenses. The Site Review Fee is currently \$350.

Architectural Plans Review

You must submit to us, by the Construction Start Deadline, a complete set of final Architectural Plans. We will promptly review the Architectural Plans and will either accept the Architectural Plans or provide comments to you on changes we require. After our initial review of your Architectural Plans at no cost and our review of one revised set of Architectural Plans that incorporate our required changes at no cost, we may charge a fee of \$1,000 for each set of drawings we review that include any other modifications from the plans that we have previously accepted.

Security Deposit – Sublease

We reserve the right, directly or through an affiliate, to master lease any location and then sublet the location to you. When you sign the Franchise Agreement, you may enter into a sublease with us if an acceptable site has been identified and we are or will be the master lessee of the site. As part of the sublease you must pay us a security deposit generally equal to the amount charged to us by the master landlord. However, unless we have agreed otherwise in a separate written agreement, we have no obligation to enter into a sublease with you for any location.

Lease Documentation Late Fee

You must deliver a copy of the signed Lease for the location or purchase agreement for the location (the “**Purchase Agreement**” and, collectively with the Lease, the “**Site Agreement**”) to us with all material terms stated therein, and any other additional documents you must sign with the Site Agreement, either: (i) after we sign this Agreement if we have identified the Accepted Location before we sign this Agreement, or (ii) immediately following the date we accept the location after we sign this Agreement. We may charge you a Lease Documentation Late Fee if you fail to timely provide the Site Agreement within 15 days after its signing. The “**Lease Documentation Late Fee**” is \$500 per month (or partial month) from the due date for providing the Site Agreement until the date it is delivered.

Training Cancellation Fee

If you or your trainees fail to cancel any scheduled training without at least 14 days’ prior notice, or if you or your trainees are not prepared to successfully participate in any scheduled training, we may charge you the cost of conducting the originally scheduled training (including any training fees and any travel and living expenses our representatives incurred).

Grand Opening Fee

No later than the date you sign a Lease for the Franchised Business, you pay us a non-refundable “**Grand Opening Fee**” of \$12,000. We will spend these funds for on pre-opening and opening marketing and promotion materials for your Franchised Business within 90 days of opening.

Additional Advertising Contribution

For certain locations we identify in advance and discuss with you, we may require you to spend additional sums on advertising and promotion, beyond the standard requirements in the Franchise Agreement. Typically, these are locations that were previously owned by our affiliate or that we otherwise believe require additional promotion.

The exact amount of the additional advertising will be determined in consultation with you and is payable to us when you sign the Advertising Addendum, which is attached to this Franchise Disclosure Document as **Exhibit N**. You must tell us the advertising and marketing you propose to conduct and obtain our written consent before using such advertising. To be reimbursed, you submit to us invoices showing that the advertising and marketing was completed and that it was previously consented to by us. After we confirm such advertising and marketing was completed, we pay the invoices, up to an aggregate total not to exceed the deposit paid to us on signing the addendum.

Discounts

The Franchise Agreement grants you the right to operate a single Yoshinoya Restaurant. If you do not sign an Area Development Agreement, then we have no obligation to grant you an additional franchise. However, you can apply to purchase one or more additional franchises and, if we approve your application, we will discount the then-current Initial Franchise Fee by (i) 20% for the second and third Yoshinoya Restaurants, (ii) 30% for the fourth and fifth Yoshinoya Restaurants, and (iii) 50% for each additional Yoshinoya Restaurant that you agree to develop. When you sign each additional Franchise Agreement, you will sign the then-current form of Franchise Agreement, which may have terms that differ materially from the form Franchise Agreement attached to this Disclosure Document.

If you desire to purchase an additional Yoshinoya Restaurant, we may condition our approval of your new location on you signing our then-current form of Franchise Agreement for each of your existing Franchised Businesses. Such new Franchise Agreement(s) may contain materially different terms and will supersede your existing Franchise Agreement(s) in all respects, except that any such new agreement(s) will be modified to expire on the date of your existing Franchise Agreement(s) and to retain the Royalty Fee of your existing agreement(s).

You may still receive the discount described above if you signed the Franchise Agreement(s) for your existing Yoshinoya Restaurant(s) as an individual and you wish to execute the Franchise Agreement(s) for the additional restaurant(s) in the name of an Entity, so long as you own a Controlling Interest of the equity or voting interests of the Entity. **“Controlling Interest”** means you own enough shares or voting interests to direct the management and policies of the Entity. However, if you signed the Franchise Agreement(s) for your existing Yoshinoya Restaurant(s) in the name of an Entity, the discount opportunity described above does not extend to the Entity’s shareholders, owners, members or partners individually.

The discount opportunity described above is offered in the same manner to all franchisees who do not sign an Area Development Agreement, currently operate at least one Franchised Business, and seek to operate one or more additional Yoshinoya Restaurants. We reserve the right to terminate, cancel, or modify the discount opportunity at any time.

**ITEM 6.
OTHER FEES**

Type of Fee ^(Note 1)	Amount	Due Date	Remarks
Royalty Fee	5% of Net Sales ^(Note 2) if you own and operate more than 1 Yoshinoya Restaurant. 5.5% of Net Sales if you own and operate only 1 Yoshinoya Restaurant.	Payable on or before Tuesday each week based on Net Sales during the prior Monday – Sunday.	We require payment by EFT. ^(Note 3) We may debit your EFT account 120% of your last payment if you fail to timely report Net Sales to us.
Marketing Fee ^(Note 4)	Up to 5% of Net Sales ^(Note 2)	Same as Royalty Fee	The current Marketing Fee is 3.5% of Net Sales.
Local Marketing Obligation ^(Note 4)	Up to 2% of Net Sales	Same as Royalty Fee	Currently, we are not requiring a Local Marketing Obligation. However, we have the right to implement a Local Marketing Obligation or spending minimum. If we implement a Local Marketing Obligation, we currently estimate that it will not exceed 2% of your Net Sales.
Regional Cooperative Marketing Fee ^(Note 5)	Up to 2% of Net Sales ^(Note 2)	As cooperative determines	Established by franchisees. Franchisees may increase or impose supplemental contribution by 65% vote, which is binding on all members of cooperative. If a regional cooperative is established for your region, any contribution you must make is in addition to your obligation for Marketing Fees.

Type of Fee ^(Note 1)	Amount	Due Date	Remarks
Additional Advertising Contribution (limited to locations we identify in advance)	Up to \$10,000	At time of signing the Advertising Addendum	If we determine your location would benefit from additional advertising, we will inform you of this requirement before you sign the Franchise Agreement and require you to sign the Advertising Addendum to Franchise Agreement, which is attached as Exhibit N to this Disclosure Document. See also Item 5.
Additional Training Fee ^(Note 6)	Presently \$300 per week, or \$60 per day (per person); amount is based on current rate.	Before start of training	You must pay this fee if you (i) bring more than 2 managers to Management Training; (ii) appoint a Replacement Manager; (iii) we require or you request Refresher and Advanced Training Courses, or (iv) hire a new Manager, Primary Contact, Director of Operations, or other person we designate after your Franchised Business opens, and we provide the Management Training Program to them. See Item 11.
Renewal Fee	25% of then-current Initial Franchise Fee	Before we sign renewal Franchise Agreement	Payable to us as you enter into a renewal term.

Type of Fee ^(Note 1)	Amount	Due Date	Remarks
Transfer Fee	25% of then-current Initial Franchise Fee; 10% if a Non-Control Transfer	At transfer closing	Payable if, by operation of law or otherwise, you sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in the Franchise Agreement, (ii) any right to use the System or the Marks, or (iii) all or a significant portion of the other assets of the Franchised Business or its leasehold rights.
Alternate Supplier Testing Fee	Reimbursement of our actual cost, including cost of inspection and testing	On demand	We have the right to evaluate prospective suppliers you recommend and to sample their goods. We may require you to pay the cost of inspection and testing, for this service
Sublease – Administration Fee	Each month the rental payable under the sublease will exceed the rental payable under the master lease by an amount not to exceed 20% of the master lease base rent. This fee may be increased with CPI increases.	Payments are due at least 10 days before date payment is required under the Master Lease; however, if the charge is not imposed monthly under the master lease, payment is due to us within 10 days after written notice from the affiliate/sublandlord.	You pay sublease rent to us or to our designated affiliate which serves as sublandlord. A copy of the Sublease is attached to this Franchise Disclosure Document as Exhibit F
Sublease – Late Payment	10% late fee on the delinquent amount.	On demand	You must pay a late fee if your rent amount is 3 or more days late.

Type of Fee ^(Note 1)	Amount	Due Date	Remarks
Ordering Support Fee	Not currently implemented	Same as Royalty Fee	We may in the future implement this fee to cover the costs of our providing various ordering support services such as online and catering ordering platforms, call center(s), ordering and delivery management services, and catering rewards program(s).
Technology Fee	Currently, none. If introduced, we expect the technology fee to be about \$100 to \$150 per month, subject to annual CPI increase.	Same as Royalty Fee	If implemented, this fee will cover licensing fees for various technology platforms and ongoing staff support and maintenance of technology systems. We reserve the right to upgrade, modify, and add new software. We reserve the right to enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you. We also reserve the right to create proprietary software and technology that must be used by franchisees, in which case, we may require that you enter into a license agreement with us and pay us a reasonable initial and ongoing licensing, support and maintenance fees. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software. This fee may increase at our sole discretion and in amount determined by us in our sole discretion.

Type of Fee ^(Note 1)	Amount	Due Date	Remarks
Maintenance or Repair Work	15% service charge (based on cost of remedial work) You also must reimburse us for all of our actual direct costs in performing the work.	On demand	Payable if you fail to complete required maintenance or repair work and we elect to perform the needed maintenance or repair work. We have no obligation to perform the work for you, however, and may terminate the Franchise Agreement because of your breach.
Insurance	15% service charge (based on cost of obtaining required insurance)	On demand	Payable if you fail to carry required insurance and we elect to obtain the insurance for you. We have no obligation to obtain coverage for you, however, and may terminate the Franchise Agreement because of your breach. See Item 8.
Reimbursement of Our Professional Fees	Amount incurred	On demand	If we incur professional fees in negotiating a lease or sublease, or selling you assets of an existing, operating restaurant, or assisting in finding financing, assisting with the sale or purchase of your Franchised Business or any other matter you or a third party (such as Landlord or Lender) requests, you reimburse the professional fees we incur.

Type of Fee ^(Note 1)	Amount	Due Date	Remarks
Taxes and Other Payments	As incurred	On demand	You pay us the amount of any State or local sales, use, gross receipts, or similar tax that the State or local government imposes on fees which you pay to us under the Franchise Agreement, without offset or deduction. Your obligation to reimburse us for these taxes do not extend to income-type taxes that a State or local government imposes on our income.
Management Fee	\$250 per day, plus reimbursement for our personnel's travel and living expenses and compensation while managing your restaurant.	On demand	If we take over operations of your restaurant due to breach or other reason, you pay us this daily restaurant management fee. You also pay our personnel's compensation and reimburse their travel and living expenses.
Audit	Cost of inspection or audit	10 days after billing	Payable if audit discloses underpayment of Net Sales by 2% or more
Late Payment	Interest at 1.5% per month (not to exceed highest legal rate)	On demand	Interest is payable on entire overdue amount beginning with the date payment is due until payment, late charge and interest is paid in full.
Late Reporting	Currently \$50 per day	On demand	If you fail to submit timely, complete, and accurate reports, financial statements, tax returns, and statements of initial investment costs, we may charge you our then-current late fee.

Type of Fee ^(Note 1)	Amount	Due Date	Remarks
Dishonored Item Fee	\$75 plus reimbursement of charge a financial or other institution imposes on us, for each dishonored or unsuccessful check, ACH debit, electronic funds transfer, credit or wire transfer or other form of payment that in any way is not honored or completed.	On notice following a dishonor or other incompleteness of a payment instrument or debit or other payment procedure.	You reimburse the amount we are charged by our financial institution, and you pay us \$75 to compensate our time and administrative attention to the dishonored item.
Inspection or Analysis Fee	\$5,000, plus the travel and living expenses of our inspectors or representatives	On demand	If: (i) we determine that a violation of Section 12.4.A. (Suspension of Operations) has occurred and that you have committed a similar violation within the one-year before the date of the inspection or analysis; (ii) you fail or refuse to comply with any of the remedial measures we require; (iii) you fail to provide us with full cooperation in the course of any inspection or analysis we conduct; or (iv) we determine that there has been any repetition during the Term of any occurrence under Section 12.4.A.
Collection Costs	Will vary under circumstances	On demand	You pay all collection costs, attorneys' fees and court costs we or our affiliate incurs for collecting amounts owed to us or our affiliate.
Indemnification	Will vary under circumstances	On demand	You reimburse losses we suffer from the operation of your business

Type of Fee <small>(Note 1)</small>	Amount	Due Date	Remarks
Costs and Attorneys' Fees	Will vary under circumstances	On demand	Awarded to prevailing party
Relocation of Franchised Business	Will vary under circumstances	On demand	You must reimburse us for the out-of-pocket expenses we incur in helping you relocate.
Relocation Extension Fee	\$2,750 per year of extension on your Franchise Agreement	One signing extension of your Franchise Agreement	Payable if you relocate and your new lease extends beyond the current expiration date of your Franchise Agreement.
Non-Compliance Fee	Currently up to \$500 each time you default and for each week (or portion thereof) that the default continues	As stated in our notice	Only required, at our option, if we reasonably believe you have committed an event of default under the Franchise Agreement.
Liquidated Damages	The average monthly amount of Royalty Fees that you owed us during the past 36 months times the lesser of the remainder of term of the Franchise Agreement or 36 months.	Within 30 days of termination of your Franchise Agreement	You must pay this fee only if the termination occurs after the opening date of your Franchised Business and you are not insolvent at the time of termination. If less than 36 months have passed since opening and termination, the amount will be the average monthly Royalty Fees during the time between opening and termination, times the lesser of the remainder of term of the Franchise Agreement or 36 months.

Type of Fee ^(Note 1)	Amount	Due Date	Remarks
Reinstatement Fee	10% of the then-current Initial Franchise Fee	Before reinstatement of your Franchise Agreement	If this Agreement is terminated because your Franchised Business poses a threat to public health and safety, we may, in our sole discretion, permit you to apply for reinstatement of this Agreement within 7 days of the effective date of termination, after the first termination only.
De-Identification on Termination or Expiration	Our costs plus 15%	On demand	If you fail or refuse to make changes to the Franchised Business required to distinguish the Franchised Business from its former appearance, we have the right, in addition to all other remedies, to enter the Accepted Location and make the required changes on your behalf.

In addition to the fees provided in the table above, if you sign an Area Development Agreement with us, then the following additional fees will apply to you:

Type of Fee ^(Note 1)	Amount	Due Date	Remarks
Transfer Fee	Transfer fee for transfer of area development rights is 10% of the Territorial Rights Fee.	At transfer closing	Payable if, by operation of law or otherwise, you sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, the rights granted pursuant to the Area Development Agreement or any interest in the Area Development Agreement. If consent is denied, we may keep 5% of the Territorial Rights Fee for our expenses in reviewing the proposed transfer.

Explanatory Notes:

1. All fees are payable to us and are non-refundable. At this time, we impose fees uniformly. However, we retain discretion to reduce fees in individual cases in our discretion.
2. **“Net Sales”** means all revenues generated by your Yoshinoya Restaurant or conducted from or with respect to the Yoshinoya Restaurant, whether the sales are evidenced by cash, check, credit, charge, account, barter or exchange. Net Sales includes monies, gift card redemptions, or credit generated by or received from (i) the sale of Approved Products or tangible property of every kind and nature, promotional or otherwise, anywhere and (ii) services performed from, at, or in connection with the Yoshinoya Restaurant, including (x) off- premises services (such as catering and delivery), (y) on-premises services such as games (e.g., slot machines) or third-party advertising (e.g., on menus), or (z) any other services or activities that use either the System, the Marks, or products that are the same as or similar to the Approved Products. The foregoing list is not intended to provide approval for these activities, which may be conducted only if approved. Unless we specify otherwise in writing, Net Sales includes all ancillary charges or fees, including delivery fees and other service charges, that are paid to you by a customer or by a third-party delivery or catering service (e.g., Uber Eats, Postmates, Grubhub, ezCater, or DoorDash) (a **“TPS”**) in connection with delivery or catering services related to your Yoshinoya Restaurant (recognizing that even though the TPS may pay you the purchase price charged to the customer less a commission, other fees, and any discounts, credits, or coupons applied to the order, these commission, fees, discounts, credits, and coupons will not be deducted from your Net Sales). Net Sales will not include (a) the initial sales or reloading of gift cards, (b) discounts, (c) the sale of food or merchandise for which refunds have been made in good faith to customers, (d) the discounted portion of employee meals, (e) sales, meals, use or excise tax imposed by a governmental authority directly on sales and collected from customers, provided that the amount for the tax is added to the selling price or absorbed therein and is actually paid by you to a governmental authority, (f) the sale of equipment used in the operation of the Yoshinoya Restaurant, or (g) tips.
3. The Franchise Agreement requires payment by electronic funds transfer (**“EFT”**). If you fail to report Net Sales to us on time for any accounting period, we may, without waiving our right to terminate the Franchise Agreement, debit your EFT account for 120% of your last payment. Once we do so, that payment is non-refundable even if you later report your Net Sales.
4. In our discretion, we may rebate all or a portion of the Marketing Fee to you for local marketing use. Additionally, we may increase the Marketing Fee by up to a maximum of 5% of your Net Sales. Increases become effective on at least 30 days written notice.
5. We may establish regional advertising cooperatives and determine each region’s boundaries. Participation in the co-op is mandatory. We reserve the right to approve all advertising that the co-op produces prior to use. Item 11 discloses additional information regarding cooperatives, including voting power of our affiliates for the Yoshinoya Restaurants they own in the regional marketing territory to which we assign you.
6. As noted in Item 11 we will provide an initial training program. At least 1 full-time manager and the franchisee (if not the full-time manager) must complete the initial training program. We do not impose a training fee to send up to 2 persons (you and your full-time manager) to the same initial training session prior to opening. We conduct initial training at a Yoshinoya restaurant in the United States that we specify. The length varies, as follows: franchisee and

manager training (6 to 8 weeks). As disclosed in Item 11, All Required Trainees must successfully complete the initial training program based on minimum performance requirements. If you send more than 2 persons to the initial training program, or if we must train a replacement manager, we charge a training fee of \$300/week (or, if training is less than a week, \$60/day) per person. Therefore, under the present curriculum, the fee payable to us for training an additional or replacement manager is \$1,800 to \$2,400. You must pay for travel, lodging, personal expenses, and wage expenses of your managers receiving training. We may also require that you and designated managers complete refresher and advanced training courses. See Item 11.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT*

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Made
	Low	High			
Initial Franchise Fee (Note 1)	\$27,500	\$27,500	Lump sum	On signing.	Us
Store Development (Note 2)	\$12,000	\$100,000	As incurred	Before opening	Us, site location service provider, architect, consultant, government agencies, and miscellaneous third parties
Security Deposit and Rent (Note 3)	\$18,000	\$30,000	As Incurred	Typically on signing Lease	Third party landlord or us or our designated affiliate as sublandlord
Construction and Leasehold Improvements (Note 4)	\$158,000	\$1,200,000	As Incurred	Before opening	Third Parties
Furniture, Fixtures, Décor and Equipment (Note 5)	\$75,000	\$150,000	As Incurred	Before opening	Third Parties
Computer System (Note 6)	\$65,000	\$225,000	As Incurred	Before Opening	Third Parties
Initial Inventory - Food (Note 7)	\$6,000	\$6,000	As Arranged	Before opening	Third Parties
Other Initial Inventory (Note 8)	\$2,000	\$2,000	As Arranged	Before opening	Third Parties
Signs (Note 9)	\$10,000	\$120,000	As Arranged	Before opening	Third Parties
Professional Fees (Note 10)	\$0	\$10,000	As Arranged	Before opening	Your accountants, attorneys, etc.
Utility Deposits (Note 11)	\$3,000	\$20,000	As Incurred	Before opening	Utility companies, including telephone company

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Made
	Low	High			
Insurance ^(Note 12)	\$1,000	\$10,000	As Arranged	Before opening	Insurance Companies
Training Expenses ^(Note 13)	\$20,000	\$80,000	As Incurred; you pay travel expenses by credit card and take longer to repay	Before and at time of opening	Third Parties
Grand Opening Fee ^(Note 14)	\$12,000	\$12,000	Lump Sum	On or before signing Lease	Us
Additional Advertising Contribution ^(Note 15)	\$0	\$10,000	Lump Sum, at time of signing the Advertising Addendum	On signing the Advertising Addendum.	Us
Pest Control Service ^(Note 16)	\$650	\$1,400	As Incurred	Annually for pest control	Licensed Pest Control Service
Reimbursement of Our Professional Fees ^(Note 17)	\$0	\$20,000	As Incurred	At time incurred by us	Us
Additional Funds – 3 months ^(Note 18)	\$46,000	\$130,000	As Incurred	After opening	Us, third parties, your employees, government agencies
Total Initial Investment ^(Notes 19)	\$456,150	\$2,153,900			

Explanatory Notes:

This table discloses your estimated initial investment for one Franchised Business. If you are converting your existing restaurant to a Franchised Business, your initial investment in various categories, including construction and leasehold improvements may be significantly less.

We do not offer direct or indirect financing to franchisees for any of these items. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, collateral you pledge, policies of your lending institution, and economic conditions in your area.

None of these fees or payments are refundable unless otherwise noted below.

1. Initial Franchise Fee. The Initial Franchise Fee of \$27,500 is payable when you sign the Franchise Agreement. See Item 5 for conditions for refunding portions of the Initial Franchise Fee.
2. Store Development. This estimate includes fees you will incur for the preparation of floor plans, architectural and design fees for adapting our design standards and construction guidelines to dimensions of your location, building and zoning licenses and permits, and site survey expenses. Yoshinoya Restaurants are typically located in either: (i) an in-line retail

plaza space, or (ii) a freestanding building which may include drive-thru facilities. Yoshinoya Restaurants in in-line locations typically occupy 1,400 to 2,200 square feet of interior space. Yoshinoya Restaurants in freestanding buildings typically occupy a lot of 12,000 to 25,000 square feet. While we may consider alternate configurations, the initial investment for an alternate site may be outside the above estimates.

For the low estimate, we assumed your Franchised Business will be in an in-line location of 1,400 square feet, where the shell building already exists and there will be one restroom. For the high estimate, we assumed your Franchised Business will be in a freestanding building of 2,200 square foot interior space, where there will be two restrooms and a drive-thru. These estimates assume you lease a previously constructed building which is suitable for conversion to our exterior and interior design specifications. These figures assume you do not build a new location on vacant land, nor purchase the building or real estate.

The estimates include costs you will incur for a site analysis report, which we may require as part of the site package you present to us for site approval. The total estimated cost to use a site location service provider, architect, consultant, government agencies, and miscellaneous third parties range from \$12,000 - \$100,000 depending on the local and city requirements for plan check and permits and this amount has been included in the estimate for store development. These costs can vary considerably depending on location. You must investigate these costs in the area where you will locate your Franchised Business.

You may be able to negotiate tenant improvement allowances with your landlord; however, the estimated costs in this table do not anticipate financial assistance from the landlord. The estimates assume non-union labor and contractors and no franchisee expense for fire flow testing, utility meters, utility fees for tie-ins or for utility service installations, no winter conditions, no hazardous materials removal or remediation, no removal or replacement of unsuitable subsurface materials, no ledge removal, no security work, and no terminations of phone or data runs. If any of these expenses apply, your investment will increase. Allowances will depend on lease negotiations.

3. Security Deposit and Rent. These figures cover the initial security deposit and rent. The initial security deposit is typically refundable; rent payments are not. Both the low and high estimates assume you will lease the accepted location for your Franchised Business directly from the landlord. You may request, and we may agree in our sole discretion, to sublease the location to you. Then, either we or our affiliate will enter into a master lease for the accepted location directly with the landlord and sublease the location to you and we may impose an additional administrative charge up to 20% above the master lease rent as additional compensation to us for taking on the role of master tenant. See **Item 6** and **Exhibit F**. We base the real estate figures on our experience operating Yoshinoya Restaurants in California. Outside California, real estate costs and lease terms may differ. When we act as master tenant, we may negotiate with landlords for a rent commencement date that begins on the date the Franchised Business opens for business; however, we are under no obligation to do so. You should investigate prevailing lease rates and terms in the area where you will locate your Franchised Business. The low estimate assumes a location in a lower density area. The high estimate assumes a higher density area.
4. Construction and Leasehold Improvements. These estimates include fees you will incur to build out the Franchised Business to meet our Standards. These figures assume you do not build a new location on vacant land, nor purchase the building or real estate. If you construct

from ground up, your costs will be much higher. The total is based on building size within the parameters in Note 2, above. These figures do not include furniture, fixtures, or equipment.

5. Furniture, Fixtures, Décor and Equipment. Your costs depend on the size of your Franchised Business and seating space. The low figure is based on 1,400 square feet with seating for 38 and the high figure is based on 2,200 square feet with seating for 44. These figures also include kitchen, refrigeration, cooking and food preparation equipment and small wares. These estimates assume you do not own equipment before purchasing the Franchised Business.
6. Computer System. You must purchase, lease, and/or license and install at the Franchised Business the Computer System, which includes but is not limited to the POS System; software; associated computer hardware; telephone lines; network connections; mobile hardware; online ordering platforms; communications equipment; high-speed Internet access (e.g., DSL or cable); credit card, gift card, and loyalty card processing equipment; digital surveillance camera system; security alarm; digital menu boards; heat moisture exchanger drive-thru timers; and other equipment that we require from time to time. The Computer System currently includes a back-office PC, one monitor, one back office multi-function printer, between 1 and 6 POS System terminals, and one firewall device, in addition to other related software, phone and network connections, and equipment. The high estimate includes drive-thru timers and related equipment. You may incur additional costs if you require additional equipment. These figures also include an allowance for travel expenses for one POS System provider representative to travel to your Franchised Business to provide on-site training in use of the POS System to your opening staff and the POS System provider's fee for providing opening support at your election.
7. Initial Inventory - Food. This estimate covers the cost of inventory of food supplies, beverages, condiments, spices and ingredients needed for opening. Your costs may vary according to local suppliers' terms, calendar season, product availability and quantity requirements as well as your own sales level.
8. Other Initial Inventory. This estimate covers the cost of inventory of non-food supplies, including paper goods, office supplies, cleaning materials and other disposables needed for opening. Your costs may vary according to local supplier terms, product availability, quantity requirements and your own sales level.
9. Signs. These figures cover the cost of interior and exterior signs. The high estimate includes cost of monument sign or freestanding sign on high rise pole and exterior menu sign for the Franchised Business with a drive-thru facility.
10. Professional Fees. This estimate includes the cost of legal and accounting fees that you may incur in establishing your Franchised Business. Such expenses may include fees payable to attorneys and accountants that you will need to use for the review of this Franchise Disclosure Document and the related agreements, as well as for entity formation and lease negotiation.
11. Utility Deposits. This estimate includes initial deposits required by utility companies (phone, water, gas, electricity, trash removal, and related utility and service expenses) to establish service. This estimate does not include any security deposit under any Lease for the Franchised Business.

12. Insurance. You must obtain and maintain during the term of your Franchise Agreement, at your expense, a comprehensive business insurance program, including property, commercial general liability, automobile liability, business property, umbrella, workers' compensation, employment practices liability, cyber liability. The types and minimum amounts of insurance coverage that we currently require are described in Item 8, but are subject to change. This figure estimates the cost of your insurance premiums for your first year of operation based on our minimum requirements. Your cost of insurance will vary depending on your Franchised Business location, the claims experience of commercial businesses in your area, and your prior insurance claim experience. You should be aware that this cost may increase in the future if we exercise our right to require you to obtain insurance with higher policy limits.
13. Training Expenses. This estimate is for the cost of 2 people (1 full-time manager and you) to attend the Management Training Program at a Southern California operating restaurant or another location in the United States that we designate. You are responsible for the travel and living expenses, wages, and other expenses incurred by your trainees during the program. Your actual cost will depend on your point of origin, method of travel, class of accommodations, and dining choices. These estimates do not include the Additional Training Fee that you must pay if you send additional managers, if a replacement manager must complete initial training after your Franchised Business opens, or if you request that we provide on-site training at your Franchised Business. If you sign an Area Development Agreement, we may also require one or more of your Owners to attend and complete training.
14. Grand Opening Fee. When you sign the lease or sublease for the Franchised Business, you pay us a non-refundable Grand Opening Fee of \$12,000. We will spend these funds on pre-opening and opening marketing and promotion materials for your Franchised Business within 90 days of opening.
15. Additional Advertising Contribution. You will incur these costs if we determine your location would benefit from additional advertising, we will inform you of this requirement before you sign the franchise agreement and require you to sign the Advertising Addendum to Franchise Agreement.
16. Pest Control Service. These figures are the estimated annual costs for pest control services.
17. Reimbursement of Professional Fees. If we incur legal or other professional fees for negotiating a lease or sublease on your behalf, or in connection with the sale or purchase of a Yoshinoya Restaurant, or arranging financing assistance or any other matter you or a third party (such as a landlord or lender) requests, then we may require you to reimburse the legal and other professional fees we incur.
18. Additional Funds – 3 Months. This estimates the additional funds you may need to cover expenses you will incur before your Franchised Business opens and in its first three months of operation. These expenses may include, without limitation, employee salaries, wages, and benefits, payroll taxes (including payroll to cover the pre-opening training period for your staff), Royalty Fees, Marketing Fees, advertising expenses, additional inventory, miscellaneous supplies and equipment, rent, state tax and license fees, deposits, prepaid expenses, and other miscellaneous items. We have based these figures on our experience franchising Yoshinoya Restaurants and our experience opening and operating Yoshinoya Restaurants. You may incur other categories of expenses or expenses in excess of this estimate. These figures do not include an allowance for payments made to a bank or

financing company on any loan obtained to finance the cost of purchasing the franchise or other development-related costs.

19. **Total Initial Investment.** These figures are based on our experience franchising Yoshinoya Restaurants and our experience opening and operating Yoshinoya Restaurants. Your actual investment and expenditures and initial cash outlay may vary from the amounts shown if you choose to purchase your Franchised Business, if you choose to build a larger or smaller Franchised Business than our standard design, or if your Franchised Business is located in an expensive market.

Area Development

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Made
	Low	High			
Territorial Rights Fee ^(Note 1)	\$68,750	\$137,500	Cash	On signing	Us
Your Professional Fees	\$0	\$10,000	As Arranged	Before opening	Your accountants, attorneys, etc.
Total ^(Note 2)	\$68,750	\$147,500			

Explanatory Notes:

1. The Territorial Rights Fee is the product of \$13,750 and the number of locations you commit to open during the agreement term (**Exhibit D**).
2. This chart assumes you will develop between five and ten Yoshinoya Restaurants; however, we do not impose a restriction on the maximum number of Yoshinoya Restaurants that you can develop under an Area Development Agreement. For each Yoshinoya Restaurant that you develop pursuant to an Area Development Agreement, you will execute our then-current form of the Franchise Agreement and incur the initial investment expenses for the development of an individual Yoshinoya Restaurant as described in the previous table in this Item 7. Additionally, we will apply a portion of the Territorial Rights Fee you paid under the Area Development Agreement to the then-current Initial Franchise Fee due under the then-current form of Franchise Agreement. At the time you sign the Franchise Agreement, you must pay us the balance of the then-current Initial Franchise Fee amount.

ITEM 8.
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Issuance of Standards and Specifications.

We have the right to require that products, Proprietary Ingredients, supplies (including chemicals), furniture, fixtures, equipment, and services (collectively, “**Goods/Services**”) that you purchase for resale or purchase or lease for use in your Franchised Business meet our Standards. Our Standards for packaging material are available to you; however, our proprietary Standards for certain food items are not available to you. To the extent that we establish Standards, require approval of Suppliers, or designate Designated Suppliers (as defined below) for particular items of Goods/Services, we will publish our requirements in the Manuals or otherwise in writing. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality Standards. Such modifications will generally be uniform for all franchisees. We will make available to you, via electronic means or otherwise, any changes to our Manuals or Standards. We notify you in our Manuals or in other written communications of the names of our Designated Suppliers.

You must purchase and install, at your expense, all fixtures, furnishings, equipment (including a Computer System), décor and signs, as we direct. If we modify our menu, we may require you to purchase additional equipment to prepare and store new menu items. You may not install on or about your Franchised Business any merchandise, furnishings, interior or exterior décor items, supplies, fixtures, equipment, or utensils unless they have been approved by us in writing.

Before opening your Franchised Business, you must purchase and throughout the term maintain insurance policies meeting our specifications. At this time, we require at a minimum (i) comprehensive general liability insurance with a limit of Two Million Dollars (\$2,000,000) combined single limit (including broad form contractual liability); (ii) workers compensation insurance as required by law; (iii) general casualty insurance for the full replacement value of the Franchised Business and its contents; (iv) Builder’s All Risk insurance during construction and renovation work covering the completed value of the construction; (v) data theft and cybersecurity coverage with limits not less than \$1,000,000 ; (vi) employment practices liability insurance with limits not less than \$1,000,000 per employee and \$1,000,000 per accident, with a co-defendant endorsement in our favor; and (vii) any additional insurance required by law. We may modify our minimum insurance requirements, establish and change deductible limits, and require you to carry additional forms of insurance on reasonable written notice. See Franchise Agreement, Schedule A, Section 21 for additional requirements.

We have the right to require that Goods/Services: (i) meet specifications that we establish from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from suppliers, service providers, manufacturers, distributors, and/or consolidators (collectively, “**Suppliers**”) that we have expressly designated or approved (“**Designated Suppliers**”); (iv) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates); and/or (v) be purchased as part of a purchasing program, arrangement, or contract that we negotiate or specify. We may add or change Designated Suppliers at any time.

Currently, except as otherwise detailed below, you may purchase the remainder of the Goods/Services that you use in your Franchised Business from any source, as long as the Supplier and the Goods/Services meet our minimum Standards. We may designate any Supplier

as ineligible to supply Goods/Services to you in our sole discretion. Further, we may designate one or more Designated Suppliers for any Goods/Services upon written notice to you.

We require you to accept major credit cards (Visa, MasterCard, American Express, and Discover) for customer purchases, and participate in our online ordering program. These programs may require that you invest in additional equipment and incur fees from the credit card processing vendors, and other hardware and software vendors that we designate.

Obligations to Purchase from Designated Suppliers.

We refer to the Goods/Services that you must purchase from our affiliates or our Designated Suppliers as the “**Designated Goods/Services**.” Currently, the Designated Goods/Services include the beef cooker, certain Proprietary Ingredients, certain Proprietary Products, fountain beverages, and packaging. Designated Goods/Services also includes certain components of the Computer System, including the POS System, security cameras, and the online Learning Management System. If we require you to use any proprietary software or to purchase any software from a Designated Supplier, you must execute any software license agreements that we or the licensor of the software require and any related software maintenance agreements. We may require you to maintain certain network connections, which may include using an Internet Service Provider or other communications provider that we approve or designate. We may require you to maintain support service contracts and/or maintenance service contracts from our affiliates or Designated Suppliers. We may designate alternative or additional Designated Suppliers on written notice to you.

We estimate that your purchases from Designated Suppliers and otherwise under our Standards will be 5% to 25% of the total purchases and lease of products and services needed to establish and operate your Franchised Business.

Procedure for Approving Alternate Suppliers.

If you want to purchase any Goods/Services (other than Designated Goods/Services) from an alternate supplier and not from the supplier we recommend (“**Non-Designated Goods/Services**”), you must request our approval in writing and submit samples for examination and/or testing, together with information supporting the proposed Supplier’s financial capability, business reputation, delivery performance and credit rating. We may impose a charge to cover our cost of testing the item, including expenses to visit the Supplier’s manufacturing facility, lab testing, and other direct costs, which must be paid before testing starts. Approval of a proposed Supplier will consider quality and conformity of product, the Supplier’s distribution capabilities, and the Supplier’s reputation.

If we approve your proposed Supplier, then we will notify you in writing within 15 business days after we receive all requested information and complete testing. Our failure to timely respond constitutes disapproval. We may re-inspect facilities of an approved Supplier and revoke such Supplier’s approval in our sole discretion, effective on written notice to you.

Cooperatives and Purchasing Arrangements

Currently, neither we nor any of our affiliates have arranged any purchasing and/or distribution cooperatives, associations, or programs (collectively, “**Purchasing Programs**”) among our franchisees, but we reserve the right to do so in the future. If we do establish a Purchasing Program, you will be required to participate in such Purchasing Program.

Although we are not required to, we or our designee may, on occasion, negotiate purchase arrangements with various Designated Suppliers, including equipment and food product manufacturers, some of which operate on a large-scale basis, regarding the purchase, sale, pricing, and/or delivery of Goods/Services for the Yoshinoya Restaurants with the intent to benefit the System; these arrangements may affect your Franchised Business differently than other Yoshinoya Restaurants. The negotiated purchasing arrangements may include special contract pricing and volume discounts that result in lower prices than regular wholesale and/or retail prices. There can be no assurance that special pricing or terms will be available; any negotiated arrangements may be discontinued at any time.

We have an agreement with Pepsi-Cola Fountain Company, Inc. (“**PCFC**”), which makes PCFC the exclusive supplier of fountain beverages for us and our franchisees through at least December 31, 2027. PCFC agreed to sell the particular Pepsi fountain beverages we designate for Yoshinoya Restaurants at PCFC’s national account prices in effect at the time of sale. PCFC makes payments to us for designating Pepsi as the exclusive beverage brand at YOSHINOYA restaurants. Certain payments are a flat amount. Others are based on formulas that depend partly on quantity of Pepsi fountain beverages purchased during the year by franchisees and affiliates.

For certain Goods/Services, we have negotiated with Suppliers for the sale of Goods/Services through our “**Appointed Distributor**” who will sell and distribute these items to the franchisees. Currently, our Appointed Distributor is Soto Provisions, Inc. The Appointed Distributor pays us a per-case distribution fee for all cases sold by the Appointed Distributor to our franchisees.

We may change our distribution arrangements and purchasing arrangements in the future.

Revenue and Other Consideration from Your Required Purchases or Leases

We may require you to purchase or lease Goods/Services from us or our affiliates. We or our affiliates: (i) may include a markup in the price of any Goods/Services we or they sell or lease to you; (ii) may derive profit from the Goods/Services we or they sell or lease you; and (iii) may receive revenue, other consideration, or other material benefit, like rebates, discounts, and allowances, as a result of consideration you or any of our other franchisees pay us or our affiliates.

We and our affiliates may receive payments based on your purchases and leases, including, without limitation, from promotional allowances, volume discounts, and other payments made to us by Suppliers or third parties. If we, our affiliates, or third parties acting under our direction arrange for manufacturers to sell the Goods directly to our Designated Suppliers to then sell them to you, then we and/or our affiliates will have the right to receive payments and other consideration from the Designated Suppliers and/or such third parties for these sales. We or our affiliates also may derive revenue from the licensing of the Marks to third-party manufacturers, who in turn sell the products bearing the Marks to distributors or others, who then sell the products to our franchisees and to other third parties.

We or our affiliates may also receive payments from leasing or subleasing, from time to time, any Yoshinoya Restaurant premises to franchisees. We may charge you a fee of up to 20% above the monthly rent that we owe under the master lease. To secure your performance, in the Franchise Agreement you grant us a security interest in your tangible property you use to operate your Franchised Business. We will record a UCC-1 to perfect our rights as a secured party. Except with our prior written consent, you may not grant another person a security interest in the assets of your Franchised Business even if their security interest is subordinate to ours.

During the fiscal year ended December 31, 2023, we derived \$2,646,263 in revenue from the sale or lease of products or services by franchisees. This revenue represents 2.16% of our total revenue of \$122,367,702.

We and our affiliates may use all amounts received from Suppliers or third parties, whether or not based on your and/or other franchisees' actual or prospective dealings with them, without restriction, for any purposes we or our affiliates deem appropriate.

We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

At this time, no officer of ours owns an interest in any required, recommended or Designated Supplier. One or more of our officers may own nominal interests in certain of our suppliers that are public companies.

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 franchise disclosure document.

	Obligation	Section in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	FA - 5 ADA - 4.1	5, 7, 11
b.	Pre-opening purchases/leases	FA – 5, 6, 7, 10, and 12.8	8, 11
c.	Site development and other pre-opening requirements	FA – 5, 6, and 7	11
d.	Initial and ongoing training	FA - 11	6, 11
e.	Opening	FA – 6.5 and 17.2.I ADA - 3 (Dev. Obligations)	11
f.	Fees	FA – 2.2.B.(ii), 3, 5.3.C., 5.4.A., 5.4.E., 5.5.B., 6.2.B., 6.5.D., 7.3.A., 8.3, 10.1, 10.2, 10.3, 10.4, 11., 12.2, 12.4, 12.5, 12.6.C., 12.8, 12.9, 12.11, 13, 14.2, 16.3, 16.4, 16.5, 16.6, 16.8, 17.5.F., 17.6, 17.7, 18.1, 18.2, 18.3, and 19.3 ADA - 1.2, 4.2	5, 6, 7, 8 and 11
g.	Compliance with standards and policies/Operating Manual	FA – 8 and 12	11
h.	Trademarks and proprietary information	FA – 9 and 15 ADA - 5	13, 14
i.	Restrictions on products/ services offered	FA – 7 and 8	8, 16
j.	Warranty and customer service requirements	FA – 8.6	N/A

	Obligation	Section in Agreement	Disclosure Document Item
k.	Territorial development and sales quotas	FA – N/A ADA - 1.3, 1.4	12
l.	Ongoing product/service purchases	FA - 7, 12.8, 12.9, and 12.11	8
m.	Maintenance, appearance and remodeling requirements	FA - 2.2.B.(i), 6, 12.5, 12.6, and 16.3.F.	6, 7
n.	Insurance	FA - 13.2 and 13.3	7
o.	Advertising	FA - 10	6, 11
p.	Indemnification	FA - 13.1 ADA - 9.3	6
q.	Owner's participation/management/staffing	FA – 12.7 ADA - 6	15
r.	Records/reports	FA - 14	6
s.	Inspections/audits	FA - 6.2, 6.5, 7.3, 7.4, 12.2, 12.3, 14, and 17.3.A.	6, 17
t.	Transfer	FA - 16 ADA - 8	6, 17
u.	Renewal	FA - 2.2	6, 17
v.	Post-termination obligations	FA - 18	17
w.	Non-competition covenants	FA - 15	17
x.	Dispute Resolution	FA - 19 and 21.5 ADA - 11	17
y.	Other - Spousal Consent	FA – 20.7 ADA - 12.13	N/A

ITEM 10. FINANCING

We do not offer direct or indirect financing, nor do we guarantee any note you make or your obligations to third parties.

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

Except as disclosed, we need not provide you with any assistance.

Our Pre-Opening Assistance:

Franchise Agreement

Before you open your Restaurant, we will fulfill the following obligations:

1. Site Selection Review. We will review the location you select for your Restaurant and accept it if it meets our minimum site criteria, at which point it will become the Accepted Location. You may not acquire the Accepted Location until we have accepted it. If you and we have not agreed on an Accepted Location at the time we sign the Franchise Agreement, you must select a location that complies with our site selection criteria within a geographic area that we

specify. For any proposed site, we may require you to obtain a site selection analysis from an Approved Supplier, which may include an analysis of such factors as traffic patterns, demographics, and competitors within the market, and provide us with a copy of this analysis. We estimate the cost for this site selection analysis will be \$2,500 to \$5,000. We consider the following factors in determining whether to accept sites: population density and demographics, traffic flow, pedestrian traffic counts, visibility, parking, access, household income, and local competition, including other Restaurants. There is no time limit for us to approve or disapprove of a site. (Franchise Agreement, Section 5.1)

While we may assist you in selecting a proposed site, we are not obligated to do so. We or our affiliates typically do not lease or sublease locations for Restaurants, but we may do so from time to time. (Franchise Agreement, Section 5.2)

We expect you to retain an independent expert to evaluate the suitability of a proposed site and to conduct your independent investigation of the site. Our acceptance of the site is based on the site satisfying our minimum site selection criteria only. (Franchise Agreement, Section 5.3)

2. Site Agreement. You must deliver a copy of the signed Lease or Purchase Agreement for the location to us with all material terms specified therein. You will be solely responsible for negotiation of the terms of the Site Agreement and performance under the Site Agreement. We will have the right, but not the obligation, to review your Site Agreement prior to its execution to verify its compliance with our requirements. (Franchise Agreement, Section 5.4)

3. General Contractor. You must hire a licensed and insured general contractor ("**General Contractor**") to complete the build-out of your Restaurant, and the General Contractor must be accepted by us. Our acceptance of your General Contractor will not in any way be our endorsement of your General Contractor or render us liable for your General Contractor's performance. (Franchise Agreement, Section 6.1)

4. Architectural Plans. We will provide a sample layout and specifications for the Restaurant. You must, at your expense and subject to our acceptance, employ licensed architects, engineers, and others as necessary to prepare your Architectural Plans. We will review your proposed architects and Architectural Plans, which we must accept prior to you submitting for permits and beginning construction. Our acceptance of your architect will not in any way be our endorsement of your architect or render us liable for your architect's performance or your architect's compliance with professional design standards or adherence to local codes. After our initial review of your Architectural Plans at no cost and our review of one revised set of Architectural Plans that incorporate our required changes at no cost, we may charge a fee of \$1,000 for each set of drawings we review that include any other modifications from the plans that we have previously accepted. We require that you or your contractor provide us with weekly progress photos. We may inspect your Restaurant when construction is finished to make sure that it meets all of our Standards and requirements. You may be required to periodically provide photographs of your construction progress from the time you commence construction until the time that you open your Restaurant. You may not open the Restaurant until we provide our consent in writing. (Franchise Agreement, Sections 6.2, 6.3, and 6.5)

5. Goods. We will furnish you with any specifications for Goods, to the extent that we publish such specifications. (Franchise Agreement, Sections 7.1. and 7.2)

6. Approved Suppliers. We will identify Approved Suppliers for all Goods required to be used in the Restaurant and use reasonable efforts to fulfill or cause Approved Suppliers to fulfill your orders for Goods on a timely basis. If we, our affiliates, and/or our Approved Suppliers

cannot supply customers (including yourself and other franchisees) with the quantity and type of Goods that they request, then we will try to allocate the available quantities and types of Goods on an equitable basis among businesses seeking to purchase the Goods. If you do not receive Goods from us, our affiliates, or our Approved Suppliers, this will not be our breach of the Franchise Agreement, nor will we, our affiliates, or our Approved Suppliers be liable to you for this. (Franchise Agreement, Section 7.1.B.)

7. Manuals and Advice. We will share with you our know-how in operating a Restaurant and grant you electronic or other access to our Manuals and content containing the information, methods, techniques, and specifications for the operation of a Restaurant. See “Manuals,” below in this Item. (Franchise Agreement, Section 8.1)

8. Management Training Program. We will provide initial training in the System and our policies and procedures to your trainees. See “Training,” below in this Item. (Franchise Agreement, Section 11.A.)

9. Approve Grand Opening Materials. We will approve or disapprove, in writing, any materials that you proposed to use in grand opening advertising promoting the opening of your Restaurant. You must obtain our written approval for the grand opening advertising plan at least 30 days prior to your grand opening. We may delay your opening if we have not approved your grand opening advertising plan at least 30 days prior to your opening date. (Franchise Agreement, Section 10.1.C.)

10. Approve Opening. We will approve the opening of your Restaurant, provided you have met your pre-opening obligations. We estimate that the typical time between signing the Franchise Agreement and opening your Restaurant is 6 to 12 months. Factors affecting time include attendance at, and satisfactory completion of, the Management Training Program; obtaining the site; obtaining all necessary permits; completion of construction; and delivery and installation of equipment and supplies. You must (i) identify the Accepted Location, (ii) obtain our acceptance of the Accepted Location, (iii) sign any documentation we require to document the Accepted Location, (iv) obtain our acceptance of a Lease for the Accepted Location, and (v) sign the accepted Lease for the Accepted Location or otherwise acquire the ownership rights to the Accepted Location within 150 days after you sign the Franchise Agreement (the “**Site Approval Deadline**”). You must (i) submit to us a complete set of final Architectural Plans and (ii) begin construction at the Accepted Location within 270 days after we sign the Franchise Agreement (the “**Construction Start Deadline**”). You must open your Restaurant within 360 days after we sign the Franchise Agreement (the “**Opening Deadline**”). We may, in our sole discretion and upon your request, grant you an extension to any of these deadlines for a fee. We may terminate your Franchise Agreement (without refunding the Initial Franchise Fee) if you fail to meet the Site Approval Deadline or the Construction Start Deadline and fail to cure such failure within 30 days or if you do not meet the Opening Deadline. (Franchise Agreement, Section 6.5)

Area Development Agreement

If you sign our Area Development Agreement, we will provide you with a copy of our current site proposal package guidelines, including the demographic, design and construction guidelines for selection and build-out of the Franchise Location and other requirements in connection with site review and approval. Thereafter, during the development term, we will provide you with any updates to this information. Unless specific locations are identified in your Area Development Agreement, you will propose to us, for acceptance, specific locations in your Development Territory for each Yoshinoya Restaurant which you believe meets our site proposal

package guidelines. Each location will be subject to our acceptance (Area Development Agreement, Section 4.1). We will accept or reject the location of future Yoshinoya Restaurants and any territories for those Yoshinoya Restaurants, and our then-current Standards for sites and territories will apply.

Post-Opening Assistance:

Franchise Agreement

During the operation of your Restaurant, we will fulfill the following obligations:

1. Approved Suppliers. We will continue to identify Approved Suppliers for Goods to be used in your Restaurant. (Franchise Agreement, Sections 7.1 and 7.2)

2. Review Proposed Suppliers and Goods. If you would like to offer products or use any Goods that we have not approved or to purchase or lease from a Supplier that we have not approved, you must submit a written request for approval and provide us with any information that we request, which we will review and approve or disapprove. See Item 8. (Franchise Agreement, Sections 7.3)

3. Ad Fund Management. We will manage the Ad Fund as described below in this Item. (Franchise Agreement, Section 10.3)

4. Update Standards and Manuals. We will provide you with notice of any changes to our specifications, Standards, or the Manuals. You must immediately adopt any supplements to the Manuals that we provide to you. (Franchise Agreement, Section 8.3)

5. Review Advertising. We will approve or disapprove any of your proposed Advertising and Promotional Content (as defined below) that requires our prior written approval. (Franchise Agreement, Section 10.1.B.)

6. Support Services. We will furnish you with those support services we consider advisable. We may provide these services on-site, off-site, by telephone, or through other means. Timing will depend on the availability of our personnel. (Franchise Agreement, Section 11.5)

7. Relocation Review. We will evaluate sites to which you propose to relocate your Restaurant in accordance with the site selection criteria provisions described above in this Item. (Franchise Agreement, Section 5.5)

8. Remodeling Review. We will review and approve or disapprove your general contractor and proposed replacement designs, furniture, fixtures, equipment, and décor when you refresh or remodel your Restaurant. (Franchise Agreement, Section 12.6)

Promotional, Advertising and Marketing Services:

We are not obligated to conduct any advertising. We may periodically formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and medium as we determine to be most effective. We may make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared.

Marketing Fund. We will allocate your Marketing Fee to a fund for the advertising and promotion of the Yoshinoya Restaurants, the Marks, and the System (the “**Marketing Fund**”). Currently, you must pay a monthly Marketing to in the amount of 3.5% of Net Sales. We may, however, increase the Marketing Fee by notice to franchisees up to 5% of Net Sales at any time. Your Marketing Fee is in addition to your Grand Opening Fee and any obligations you may have under an Advertising Addendum.

We currently do not, and are not required to, maintain the Marketing Fund, Marketing Fees you paid, or income earned from contributions to the Marketing Fund in a separate account from our other money. The Yoshinoya Restaurants that we operate do not contribute to the Marketing Fund. Our other franchisees may not be required to contribute to the Marketing Fund, may be required to contribute to the Marketing Fund at a different rate than you, or may be required to contribute to a different advertising fund.

We or an affiliate will administer the Marketing Fund. We have sole authority to direct all advertising programs and promotions and uses of the Marketing Fund, with sole control over the creative concepts, materials, and media used in the programs, and the placement and allocation of advertising. We reserve the right to use any media, create any programs, and allocate advertising and promotional expenditures to any regions or locales we deem appropriate.

We may use the Marketing Fund to meet the costs of administering, preparing, and conducting national, local, or regional advertising, promotional, or brand building programs of any kind, including the cost of (i) preparing and conducting television, radio, magazine, newspaper, and digital advertising campaigns and other public relations activities (including, but not limited to, for purposes of brand reputation management), (ii) employing public relations firms and advertising agencies to assist in these activities, and (iii) conducting other activities that are directly or indirectly designed to promote the System, its franchisees, and/or increase System sales, such as limited-time menu offerings, crew incentives, franchisee incentive and/or promotional programs, customized materials (e.g., cups), up-sell programs, guest response programs, manager/employee recognition programs, quality assurance and food safety programs, mystery shop and shopper programs, brand websites and ordering platforms, brand applications, social media account administration and promotion, and in-store equipment and technologies related to such marketing programs. We may use the Marketing Fund to compensate us for the reasonable administrative costs and overhead we incur in activities related to advertising and promotional programs, including new product development; market research; preparing advertising and promotional materials; Digital Marketing (as defined below); working with public relations firms, advertising agencies, advertising placement services, and creative talent; reimbursing franchisee advisory council meeting expenses; developing and maintaining, and paying third parties for the development and maintenance of, internet sites, applications, and other equipment and technologies related to marketing programs.

The advertising and promotions that we conduct are intended to maximize general public recognition and patronage of the System generally in the manner that we determine to be most effective. We reserve the right to use any media, create any programs, and allocate advertising and promotional expenditures to any regions or locales we deem appropriate. We will not spend the Marketing Fund in a manner that (i) exclusively benefits our licensees that manufacture and sell Goods/Services, if any, or (ii) is principally a solicitation for the sale of franchises. We have no obligation to make expenditures from the Marketing Fund that are equivalent or proportionate to your contributions, ensure that you benefit directly or proportionately in any amount from the placement of advertising, or ensure that any advertising impacts or penetrates your area.

Currently, we use one or more national and/or regional advertising agencies, and our in-house marketing department, to develop and produce our marketing materials. We may also use the Marketing Fund to pay our in-house marketing staff for marketing functions they undertake on behalf of the System. We have no present plan to sell goods or services to the Marketing Fund.

During fiscal year 2023, the breakdown of Marketing Fund expenditures was as follows:

Production costs to produce advertising materials and coupons	51%
Media placement costs	28%
Administrative expenses	10%
Research & development	11%
TOTAL	100%

We are not required to have an independent audit of the Marketing Fund completed. We will provide you with an annual summary of the expenditures of the Marketing Fund on your reasonable request but are not required to prepare financial statements for the Marketing Fund. If any monies in the Marketing Fund remain at the end of a fiscal year, they will carry-over in the Marketing Fund into the next fiscal year. Any amounts that we or our affiliates contribute to the Marketing Fund and any spending on advertising that we or they make in excess of the amounts then available in the Marketing Fund will be considered an advance from us or our affiliates to the Marketing Fund. We and/or our affiliates have the right to be reimbursed from the Marketing Fund any amounts that are advanced to the Marketing Fund.

We intend for the Marketing Fund to be perpetual; however, after all of the Marketing Fund contributions have been spent for the purposes described above, we may terminate the Marketing Fund.

Local Advertising.

We encourage you to develop, at your own cost, promotional materials and advertising for local use. Before distributing or publishing any advertising or promotional materials you create, you must obtain our written approval of the copy and proposed media or method of distribution. As a condition of approval, you must assign your copyright and any trademark or service mark rights in any materials you create to us, without compensation. You must permit us, the Marketing Fund, and other franchisees we authorize, to use these materials without compensation.

To apply for approval, you must submit a copy or transcript of the proposed materials in the exact form you intend to use them. We have 15 business days to review your request. If you do not receive our written disapproval in 15 business days, the materials are deemed to be approved, unless we request a reasonable extension of time. If you use materials we approve, you must use them in the exact form in which you submitted them to us. You retain discretion over all decisions which concern or affect the prices of goods or services you sell.

Before your Franchised Business opens, we will consult with you regarding the grand opening program we will design to publicize the opening of your Franchised Business. You must pay us a Grand Opening Fee of \$12,000 which we will spend on pre-opening and opening marketing and promotional materials and related activities we believe are appropriate and consistent with our marketing image. Our right to design your grand opening program will not interfere with your right to set prices at your Franchised Business.

For certain locations, we may require you to spend additional sums for advertising and promotion, beyond the standard requirements in the Franchise Agreement. These are typically locations that were previously owned by an affiliate of ours or that we otherwise consider to require additional promotion. The amount will be determined in consultation with you and is payable to us when you sign the Advertising Addendum. (See **Exhibit N** to this Franchise Disclosure Document). We will spend these additional funds for your restaurant within the initial advertising period we agree to (typically 90 days).

Advertising Cooperatives.

We may establish advertising cooperatives comprised of groups of franchisees within regions or areas we designate and may modify boundaries of these groups in our discretion, effective on written notice. You must participate in any advertising cooperative which encompasses an area we designate. The members of each cooperative will adopt governing rules and voting procedures and determine procedures for assessing members; however, we may approve these rules and procedures and any amendments. If any of us or our affiliates owns a Yoshinoya Restaurant within the boundaries of a cooperative, it will contribute to the cooperative at the lowest percentage contribution rate that any franchisee in the same cooperative then pays and will have the same voting rights as franchisee members.

Each cooperative's members and elected officers are responsible for the cooperative's administration. The cooperative must obtain our written approval of the copy and proposed media or method of distribution for advertising and promotion it creates, following the same procedures you must follow for materials you create, as described above. The cooperative must assign to us any copyright, trademark or service mark rights in any materials it creates, without compensation, and permit us and other franchisees which it authorizes to use these materials without compensation.

We may require a cooperative to merge with another cooperative servicing an adjacent or proximate area, or to subdivide a cooperative into smaller groupings. We may dissolve a cooperative when we simultaneously dissolve all advertising cooperatives. For example, we may determine it is preferable to centralize all group advertising activities under the Marketing Fund. Advertising cooperatives must prepare quarterly and annual financial statements, which need not be audited, and make them available to all cooperative members and us. We have no present plan to sell goods or services to any advertising cooperative.

At this time, we do not require franchisees to participate in a local or regional advertising cooperative. No local or regional advertising cooperative exists in our system at this time.

Advertising Council

At this time, there is no advertising council of franchisees that advises us regarding advertising and promotional programs or policies for Yoshinoya Restaurants generally.

Digital Advertising

We or our affiliates, in our sole discretion, may establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, Snapchat, TikTok, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, online videos, display banner campaigns, e-mail marketing campaigns, or other means of digital

advertising on the Internet or any other means of digital or electronic communications (collectively, “**Digital Marketing**”) that are intended to promote the Marks, your Franchised Business, and the entire network of Yoshinoya Restaurants. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Franchised Business.

Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or that relates to the Franchised Business. If we do permit you to conduct Digital Marketing, you must (i) comply with any Standards or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such Standards or content requirements, (ii) only use materials that we have approved and must submit any proposed modifications to us for our approval, (iii) not use any Mark on any aspect of the Digital Marketing (including in any domain name, address, or account) except as we expressly permit, (iv) include any information that we require, and (v) include only the links that we approve or require. We retain the right to pre-approve your use of linking and framing between any Digital Marketing that you conduct and all other websites. If we consent to your use of the Marks (or words or designations similar to the Marks) in any domain name, electronic address, website, or other source identifier, we may register such names, addresses, websites, or identifiers and then license use of the registered item back to you under a separate agreement.

You must pay all costs due for registration, maintenance, and renewal of any such names, addresses, websites, or identifiers that we approve and maintain on your behalf. We retain the ownership of copyright to any of the materials that you may develop for use on the Internet. We may withdraw our approval for any Digital Marketing at any time.

Computer System

You must purchase, lease, and/or license and install at the Franchised Business the POS System; software; associated computer hardware; telephone lines; network connections; mobile hardware; online ordering platforms; communications equipment; high-speed Internet access (e.g., DSL or cable); credit card, gift card, and loyalty card processing equipment; digital surveillance camera system; security alarm; digital menu board; heat moisture exchanger drive-thru timers; and other equipment that we require from time to time (collectively, the “**Computer System**”), all of which you must keep in good maintenance and repair. The Computer System currently includes a personal computer, one monitor, one back office multi-function printer, between 1 and 6 POS System terminals, and one firewall device, in addition to other related software and equipment. You may purchase any brand of computer capable of running the BOH 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. You must also use basic non-proprietary accounting software, which we specify by brand name and functional features, which we require you to use to prepare accounting reports following our reporting system. We estimate that the total cost for the Computer System will be between \$65,000 to \$225,000, depending on whether your Franchised Business includes a drive thru.

The Computer System includes POS System that you must purchase from our Designated Supplier, which is currently Par/Brink. We estimate that the initial cost to you for the POS System and related necessary equipment, including installation, currently ranges from \$12,000 to \$16,000, depending on the number of terminals, travel costs, and other logistical factors. We or the POS System vendor may require you to purchase, license, or lease additional hardware or

software. In addition, you may incur additional expenses if you require or would like additional equipment, training, or installation services.

We will have electronic and manual access to certain information within the POS System and there are no contractual limitations on our right to access this information. We have developed interfaces with our preferred providers that facilitate this access. You must provide any assistance we require to bring your POS System online with our headquarters system at the earliest possible time and in the manner we prescribe. You must accurately, consistently, and completely record, structure, capture and provide all required information through your POS System in accordance with all applicable laws and protect such information as required.

In addition, there may be ongoing license, maintenance, and service fees associated with the maintenance and operation of the POS System. You must maintain your POS System and keep it in good repair and procure any services necessary for the POS System to communicate with our system. We currently require you to obtain the required support and maintenance from our Designated Supplier for the POS System and our Designated Supplier for POS hardware maintenance. Currently, we estimate that you will pay monthly license support fees that when aggregated on an annual basis will be between \$225 and \$350. These fees are subject to change.

In addition to the monthly licensing fees you may pay, we may implement a Technology Fee, in our sole discretion. If implemented, this fee will cover licensing fees for various technology platforms and ongoing staff support and maintenance of technology systems. We reserve the right to upgrade, modify, and add new software. We reserve the right to enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you. We also reserve the right to create proprietary software and technology that must be used by franchisees, in which case, we may require that you enter into a license agreement with us and pay us a reasonable initial and ongoing licensing, support and maintenance fees. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software. This fee may increase at our sole discretion and in amount determined by us in our sole discretion.

We and our affiliates are not contractually obligated to provide any maintenance, updating, upgrading, or support contracts related to the Computer System. Other than as specified above for the POS System, we do not require you to, and do not anticipate that you will need to, enter into any maintenance, updating, upgrading, or support contracts relating to the Computer System.

We may revise our specifications for the Computer System (including the POS System) from time to time. You are contractually required to make periodic upgrades and updates to the Computer System to remain in compliance with our Standards. If it becomes advisable at any time, in our sole discretion, for us to change, upgrade, or discontinue use of any of the components of the Computer System or the model of POS System, you will comply with our directions, at your expense, within a reasonable time after notice to you. If we require you to use a different POS System, you must stop using the old POS System, purchase the new POS System, sign any required software license agreement and any required maintenance/update agreements with the vendor, pay any related POS System Support Fees, and use the new POS System. We can require you to add, substitute or replace computer hardware, memory, ports, accessories, peripheral equipment, or software, or to replace your Computer System. There are no contractual limitations on the frequency or cost of your obligation to upgrade and replace hardware and software for your Computer System. In the future, we may develop and require you to use a proprietary POS system and require you to license proprietary POS software programs

from us or a third-party supplier we designate in exchange for a software license fee, which is yet undetermined, but we expect to be uniform for all franchisees.

Manuals

The Manuals contain mandatory and suggested specifications and brand standards. The Manuals are confidential, remain our property, and must be kept secure. The Manuals are currently provided online through the Learning Management System. We may require you to pay a license fee to us, our affiliate, or a vendor in order to use such system. We will give you an opportunity to view the Manuals in the corporate office or at another agreed-upon location before you purchase a franchise, if you so request. The table of contents for our 169-page Manuals is attached as **Exhibit P**.

Training:

Before the opening of the Franchised Business, your manager and you, or if the franchisee is an entity, then one of the owners of you (collectively, the “**Required Trainees**”) must attend and successfully complete to our satisfaction the Management Training Program. You pay all travel (transportation, hotel, meals, etc.) and wages for the Required Trainees. If you desire for more than the two Required Trainees to attend training, you must pay the Additional Training Fee disclosed in Item 6.

All of your Required Trainees must successfully complete the Management Training Program before they may be involved in the operation of your Franchised Business. We have the right in our reasonable discretion to determine whether a trainee has successfully completed the Initial Training Program. If we conclude that a Required Trainee has failed to successfully complete the Initial Training Program, you must provide an alternate trainee to enroll in our next scheduled applicable Initial Training Program and pay the Additional Training Fee disclosed in Item 6.

We offer the Initial Training Program at regular intervals on a scheduled basis and will arrange with you and Required Trainees to schedule initial training at a mutually convenient time. We expect your Required Trainees to begin the Initial Training Program within the first month after you sign the Franchise Agreement.

Currently, our Management Training Program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training (Note 1)	Hours of On-the-Job Training (Note 1)	Location
Franchisee and Manager Initial Training Course (Note 2)	0	240-320 hours (6 to 8 weeks)	Southern California operating restaurant; in our discretion, we may designate an alternate location in the United States.
Total	0	240-320 hours	

Explanatory Notes:

1. The number of hours assumes 40 hours per week, over a 5-day period. All participants are required to attend and complete their respective courses in their entirety.

2. Janet Fisher, who has 14 years of experience in the industry and 9 years of experience with Yoshinoya, oversees the training department as Vice President of People, Culture, and Learning & Development. Reporting to Janet Fisher is Jennifer Kuan-Melendez, Director of Learning and Development, who joined Yoshinoya in 2023 and has over 25 years of experience in the industry and 10 years of experience in Learning & Development.

Instructional Materials. We use various forms of instructional materials in the Initial Training Program, including our online Learning Management System, training guides, and hands-on experience working in a fully operational Yoshinoya Restaurant.

Subsequent Trainees. Any managers you hire or appoint after the opening of the Franchised Business and any other persons we designate must attend and successfully complete our Management Training Program before becoming involved in the operation of your Franchised Business. We also may require you to send additional managers or employees to the Initial Training Program if we have identified operational or performance issues at your Restaurant. We reserve the right to charge you our then-current Additional Training Fee for each manager that attends an Management Training Program that is provided by us or our designee after your Required Trainees have completed the program.

Additional Training and Conferences. We may, from time to time, conduct conferences, conventions, programs, webinars, teleconferences, or training sessions on any matters related to the System. We will determine the duration, curriculum, and location of such additional programs, which may take the form of web-based training modules, webinars, seminars, in-person training at locations that we designate, or on-site training. We may require you, your manager(s), and supervisory personnel to attend any conferences, conventions, programs, or additional or refresher training sessions that we specify. During any calendar year, we will not ask you and your managers to complete more than four different additional training sessions not to exceed 2 days per session. You must pay the travel expenses (transportation, hotel, meals, etc.) and wages of your personnel during training. At this time, all training courses are provided at the training support in Torrance, California, though we may designate other locations in the United States for training. We may charge you our then-current Additional Training Fee for these additional programs to cover our costs of providing them.

ITEM 12. TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Franchise Location

We grant you a franchise for a specific Franchise Location, which we must accept according to site selection procedures described in Item 11 of this Franchise Disclosure Document. If you fail to meet the Site Acquisition Deadline, then we may terminate the Franchise Agreement. If we terminate the Franchise Agreement, then we do not provide any refunds of the Initial Franchise Fee.

You may request to relocate your Restaurant if you lose the right to operate at the Accepted Location or provide other business justifications for the relocation. You may not relocate your Restaurant unless we approve the relocation in advance in writing. We have not established a set of conditions or criteria under which we evaluate or approve relocation requests, except that you must comply with our site approval process, must be in compliance with all terms of the Franchise Agreement, and must have the funds available to relocate the Restaurant and to construct a new Restaurant according to our then-current design standards. We are under no obligation to approve a proposed relocation of the Restaurant. If you lose the right to occupy the premises where you are operating your Restaurant, we may, in our sole discretion, terminate your Franchise Agreement.

If we approve your request to relocate, in our sole discretion, then (i) the Site Agreement for the new location must comply with the Franchise Agreement, (ii) you must de-identify the former site, (iii) we may charge you a Relocation Fee (see Item 6), (iv) we may require you to pay an agreed minimum royalty to us during the period in which the Restaurant is not in operation, and (v) we may require you to sign our then-current Franchise Agreement (which may have materially different terms than your existing Franchise Agreement) or an amendment to your existing Franchise Agreement. If the term of the Lease for the new location extends beyond the term of your Franchise Agreement, we may, in our sole discretion, extend the term of your existing or new Franchise Agreement to match the term of the Lease for the new location, provided you will be required to pay the Relocation Extension Fee (see Item 6).

Protected Territory

You may receive a Protected Territory as described in this Item. During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Yoshinoya Restaurant operating under the Marks and the System at any location within the Protected Territory, except in Captive Audience Locations, Delivery Kitchens, and as otherwise provided in the Franchise Agreement. “**Captive Audience Locations**” include limited access and captive audience facilities, concession departments, and other types of institutional accounts, which may include (i) airports, bus and railroad terminals, and other public transportation facilities, (ii) sports arenas, stadiums, and facilities, (iii) gasoline service stations, highway rest stops, and travel plazas, (iv) amusement parks or centers, zoos, parks, aquariums, museums, art centers, concert venues, theaters, drive-in theaters, movie theaters, amphitheaters, casinos, and other entertainment or tourist facilities, (v) supermarkets, convenience stores, department stores, outlet malls and enclosed malls, (vi) food courts, (vii) hospitals and other

health care facilities, (viii) universities, schools, and education facilities, (ix) convention centers, (x) military bases, and (xi) office buildings, business complexes, condominiums, dormitories, other high-density locations, and other similar non-restaurant locations. **"Delivery Kitchens"** include kitchens devoted to the preparation of products or Goods/Services (often referred to as ghost, dark, or cloud kitchens), which may use the Marks and may deliver to customers located anywhere.

The size and scope of the Protected Territory will be in the Franchise Agreement and will be determined on a case-by-case basis. The factors that we consider in determining the size of an Area of Protection include current and projected market demand, demographics and population based on our research and experience, median household income, presence of other businesses, location of competitors, traffic patterns, access and visibility, location of other Yoshinoya Restaurants, our future development plans and other market conditions. However, there is no minimum Protected Area for a Yoshinoya Restaurant, if we grant you one. You will not receive a Protected Territory if you operate your Franchised Business from a Captive Audience Location.

If we do not grant you a Protected Area, you will not receive a protected territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

If we do grant you a Protected Territory, we will designate it when we notify you that we accept the Franchise Location. The Franchise Agreement will be automatically deemed amended to incorporate the Protected Territory description.

The Protected Territory may not be altered before the expiration or termination of the Franchise Agreement. Your territorial protection is not dependent on achievement of a certain sales volume, market penetration or other factors, other than compliance with the Franchise Agreement.

Rights Outside of the Protected Territory

Except for catering services and delivery services that we may allow or require, you may only sell Goods/Services at retail to customers who are physically present at your Franchise Location. You may not sell Goods/Services through the Internet or using any channel of distribution other than your Franchised Business without first obtaining our written consent.

We require you to provide delivery services, and you must do so in accordance with any restrictions and guidelines that we may establish in the Manuals or otherwise in writing. We do not currently require you to provide catering services, but reserve the right to do so in the future. You may only provide delivery services through a third party delivery service provider that we approve or designate. We, our affiliates, and our other franchisees may provide catering and delivery services anywhere, including near your Franchised Business. We retain the right to revise and/or make exceptions to our catering and delivery policies as they apply to you and our other franchisees.

Area Development Agreement

If you enter into an Area Development Agreement, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands we control.

If you sign an Area Development Agreement with us, we will grant you a geographic area in which you may develop a predetermined number of Yoshinoya Restaurants. We refer to this geographic area as your Development Territory. You and we will agree on the boundaries of the Development Territory before you sign the Area Development Agreement. The size of the Development Territory is negotiated and varies for metropolitan statistical areas, groups of zip codes, or other municipal or geographic boundaries.

So long as you are in compliance with the Area Development Agreement, we will not develop a Yoshinoya Restaurant operating from a fixed location in your Development Territory, and we will not authorize anyone else to do so, subject to Reserved Rights described below. Your development of additional Yoshinoya Restaurants in the Development Territory will proceed according to your Development Deadlines, which will be set out in your Area Development Agreement. If you fail to meet the Development Deadlines, we can terminate the Area Development Agreement and your rights under it or, at our option, eliminate or terminate protections to your Development Territory. Your rights to the Development Territory end, at the earlier of: (i) the termination of the Area Development Agreement due to your noncompliance; or (ii) the opening of the last Yoshinoya Restaurant you are required to develop under the Development Deadlines.

The Franchise Agreement for the first Yoshinoya Restaurant that you develop under the Development Agreement will be in the form attached as **Exhibit C** to this Franchise Disclosure Document. For each additional Yoshinoya Restaurant that you develop under the Area Development Agreement, you must sign our then-current form of Franchise Agreement by the deadline set forth in the Development Deadlines. The form of that Franchise Agreement may be different from the form of Franchise Agreement included in this Franchise Disclosure Document. Your territorial rights, if any, for each Yoshinoya Restaurant under your Area Development Agreement are governed by the terms of those Franchise Agreements.

Except for the rights provided in the Area Development Agreement and your Franchise Agreements, you have no options, right of first refusal, or similar rights to acquire additional franchises or to establish additional Yoshinoya Restaurants of any kind.

Except as described above, you have no territorial rights or exclusivity.

Our Reserved Rights

Under the Franchise Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(i) If we do not grant you a Protected Territory or Development Territory, we and/or our affiliates may establish or license franchises and/or company-owned businesses offering products or services that are similar or identical to the Goods/Products using the System or elements of the System under the Marks or any other marks anywhere, including near your Franchise Location.

(ii) If we have granted you a Protected Territory or Development Territory, we and/or our affiliates may establish or license franchises and/or company-owned businesses offering products or services that are similar or identical to the Goods/Services using the System or elements of the System under the Marks or any other marks anywhere outside of the Protected

Territory, Development Territory, or in Captive Audience Locations inside or outside the Protected Territory or Development Territory.

(iii) We and/or our affiliates may, whether inside or outside any Protected Territory or Development Territory, produce and/or sell Goods/Services or any other products or services, and authorize others to produce and/or sell Goods/Services or any other products or services, using the Marks, the System, and any other marks and/or systems we desire through any alternative channel of distribution located anywhere, including to and through (a) supermarkets, convenience stores, club stores, and other retail facilities not dedicated to the sale of the Goods/Services, (b) mail order and e-commerce channels, and (c) Delivery Kitchens.

(iv) We and/or our affiliates may advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside any Protected Territory or Development Territory.

(v) We and/or our affiliates may acquire, be acquired by, or merge with another entity with existing businesses or franchises that are similar to or competitive with the Restaurants anywhere (including inside and outside the Protected Territory or Development Territory (if any)) and (a) convert the other businesses to be Yoshinoya Restaurants operating under the Marks and the System (except inside your Protected Territory or Development Territory (if any)), (b) permit the other businesses to continue to operate under another name anywhere (including inside your Protected Territory or Development Territory (if any)), and/or (c) permit the businesses to operate under another name and convert your Franchised Business and other existing Yoshinoya Restaurants to such other name.

Other Yoshinoya Restaurants near your Franchised Business that are already in existence or opened later under Franchise Agreements also may (i) compete directly with you, (ii) provide services in close proximity to your Franchised Business without compensating you, and (iii) possibly adversely affect the operation of your Franchised Business. We may open or franchise new Yoshinoya Restaurants near your Franchised Business (but outside your Protected Territory or Development Territory) without consulting you or giving you the first right to open them. These Yoshinoya Restaurants may compete directly with you.



Affiliate Programs

Item 1 describes our foreign affiliates that offer franchises, their principal business addresses, the goods and services they sell, whether their businesses are franchised and/or company-owned, and their trademarks. Our foreign affiliates and their franchisees are not direct competitors of our franchise network given their location, as described in Item 1. Other than the Yoshinoya and Setagaya brands, we are not aware that any of our foreign affiliates plan to operate or franchise in the United States; however, they may do so in the future. We do not expect any conflicts between our franchisees and our affiliates' franchisees regarding territory, customers and support, and we have no obligation to resolve any perceived conflicts that might arise.

ITEM 13. TRADEMARKS

We grant you a license to operate a Franchised Business under the trade name “YOSHINOYA” and to use the other Marks we designate with the System. Yoshinoya Holdings owns the Marks and licenses them to us under a Master License Agreement dated January 1, 2003 (the “**License Agreement**”), with the permission to use the Marks and to sublicense the Marks to you. We will sublicense the Marks to you, and you will use them along with the other components of the System.

The following is a list of the principal trademarks Yoshinoya Holdings owns that you may use in the operation of your Yoshinoya Restaurant, subject to your use conforming to the Franchise Agreement, the Manuals, and the Standards. These Marks are registered on the Principal Register of the United States Patent and Trademark Office (the “**USPTO**”):

Trademark (and goods/services for which registered)*	Registration No.	Date Registered
“BEEF BOWL” (registered for restaurant services).	1,037,068	March 30, 1976
“YOSHINOYA” (registered for restaurant services).	1,038,988	May 4, 1976
“YOSHINOYA” in the color orange (registered for restaurant services).	1,891,501	April 25, 1995
“BEEF BOWL” in the color orange (registered for restaurant services).	2,088,487	August 19, 1997
“YOSHINOYA” (registered for prepared meals mainly of beef or of chicken; specified meats, and other specified food items).	3,023,255	December 6, 2005
Design of bull horns in circle (registered for prepared meals mainly of beef; or pork; or chicken; specified meats, other specified food items; snack bar and restaurant services, takeout restaurants; providing restaurant information via Internet). 	3,290,669	September 11, 2007
Design of bull horns in circle (registered for prepared meals mainly of rice and beef, chicken or pork and other specified food, confectionary, spice and ingredient items). 	3,425,756	May 13, 2008

Trademark (and goods/services for which registered)*	Registration No.	Date Registered
Design of Chinese Characters for “Yoshinoya” (registered for prepared meals mainly of beef; snack bar and restaurant services, catering, take-out). 	3,437,935	May 27, 2008
Design of Chinese Characters for “Yoshinoya” (registered for prepared meals mainly of rice and beef, chicken or pork, specified meats, sushi, boxed lunches and other specified food, confectionary, spice and ingredient items). 	3,712,509	November 17, 2009
“BEEF BOWL” (registered for prepared meals primarily of beef; and primarily beef with rice and vegetables).	3,847,904	September 14, 2010
Design consisting of an orange bowl with a white letter “Y” (registered for industrial packaging; clothing; meat; ready to eat dishes; providing food and drinks) 	5,225,411	June 20, 2017
Design of cattle horns surrounded by round rope and circle in the color orange (registered for industrial packaging; clothing; meat; ready to eat dishes; providing food and drinks) 	5,225,403	June 20, 2017
The word “Yoshinoya” in the color orange in stylized form (registered for industrial packaging; clothing; meat; ready to eat dishes; providing food and drinks) 	5,268,384	August 22, 2017

Yoshinoya Holdings filed in a timely manner all affidavits and renewals to maintain these registrations, all of which are currently effective.

We are not aware of any currently effective material determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or court, any pending opposition or cancellation proceeding, or any pending material litigation involving any of the Yoshinoya marks. On occasion we have alerted others that we claim their use of certain words or phrases infringes our “bowl” trademarks but through the effective date of this Disclosure Document we have not initiated infringement litigation.

In License Agreement, Yoshinoya Holdings granted us the exclusive right to use and sublicense the Marks in the United States, Mexico and Canada for restaurants and the manufacture and sale of “YOSHINOYA” brand retail items. That Agreement does not significantly limit our right to use or license the use of the Marks in any manner material to the franchise.

You must notify us immediately if you learn about (i) improper use of the Marks, (ii) a third party’s use of a mark or design that is confusingly similar to any of the Marks, or (iii) a challenge to your use of any of the Marks. We will take action we think is appropriate. We control the prosecution, defense or settlement of any legal action. You must cooperate and assist in defending our and our affiliates’ rights in the Marks. You may not take action in your own name. Unless a third party challenge is based on your misuse of the Marks, we will defend you in the matter and reimburse your liability and reasonable costs. To be reimbursed you must notify us immediately when you learn about the claim and fully cooperate in the defense. Because we defend the claim, we will not reimburse legal fees or related costs you pay to your separate legal counsel or others.

We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks.

ITEM 14.

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own any patents that are material to the franchise.

Copyrights

We have not applied for copyright registrations but we claim common law copyright protection and proprietary rights in all copyrightable aspects of the System, including our Manuals, our website, Yoshi (Learning Management System), correspondence and communications with you or other franchisees relating to the System, training, advertising and promotional materials, Recipes, menu boards, our building design, product descriptions and other written materials that we produce.

You must comply with the proper use and marking of the copyrighted materials as we indicate in the Manuals.

Other than the License Agreement, there are no agreements currently in effect that significantly limit your right to use any of our copyrights. Also, there are no currently-effective determinations of the USPTO, Copyright Office (Library of Congress) or any court involving any of our copyrights discussed above. We are unaware of any infringing uses of or superior prior rights to any of our copyrights that could materially affect your use of them in the state in which your Restaurant will be located.

Your obligations and ours to protect your rights to use our copyrights are the same as the obligations for Marks described in Item 13.

Proprietary and Confidential Information

During the term of your Franchise Agreement, we or our affiliates will disclose to you, either orally or in writing, non-public information related to the System or information that, by its nature, would reasonably be expected to be held in confidence or kept secret (collectively, “**Confidential Information**”). Confidential Information includes, but is not limited to: (i) the Standards and Manuals; (ii) pricing information and models; (iii) materials describing our franchise network and System; (iv) plans, layouts, designs and specifications for a prototypical Restaurant; (v) our methods of preparing and serving Goods/Services, including Recipes; (vi) our sources (or prospective sources) of supply and all information related to or concerning the same, including the identity and pricing structures with our Designated Suppliers; (vii) our training materials; (viii) our marketing plans and development strategies; (ix) the Franchise Agreement and any related schedules, exhibits, attachments, or addenda and all terms contained therein; and (x) other information we give to you.

In addition, we or our affiliates may disclose to you Trade Secrets. “Trade Secrets” means information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. Without limiting the definition of “Trade Secrets,” the following are considered to be Trade Secrets: (i) the composition of our Proprietary Goods; (ii) our Recipes; (iii) advertising, marketing, and public relations strategies; and (iv) our marketing analyses.

You may never, during the term of the Franchise Agreement, any renewal term of the Franchise Agreement, or after the Franchise Agreement expires or is terminated, reveal any of our Confidential Information or Trade Secrets to another person or use it for any other person or business. You may not copy any of our Confidential Information or Trade Secrets or give it to a third party except as we authorize. These restrictions must be followed even before you open your Franchised Business, since you will receive valuable information and training about the System and the operation of the Franchised Business before you begin operations.

You will require that all persons employed in your Franchised Business having access to Confidential Information and Trade Secrets are aware of the confidentiality restrictions set forth in the Franchise Agreement and similarly bind them not to disclose the Confidential Information and Trade Secrets by an agreement as least as restrictive as the terms of the Franchise Agreement.

Innovations

All ideas, concepts, techniques, or materials relating to a Yoshinoya Restaurant or the System or derivations or modifications of our intellectual property or any other element of the System (collectively, “**Innovations**”), whether or not protectable intellectual property and whether created by or for you or your Owners, manager, employees, or contractors, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any Innovation does not qualify as a work made-for-hire for us, you must assign ownership of that Innovation, and all related rights to that Innovation, to us and agree to sign (and to cause your Owners, employees, managers, and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. We and our affiliates have no obligation to make any payments to you or any other person with respect to any Innovations. You may not use any Innovation in operating the Franchised Business or otherwise without our prior approval.

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

If you are an individual, you are required to devote your best efforts to the proper and effective operation of the Franchised Business. If you are an Entity, one of your Owners (who has successfully completed the Initial Training Program) is required to devote their best efforts to the proper and effective operation of the Franchised Business.

You must staff your Franchised Business with at least one “**Approved Manager**” who is a full-time employee with management responsibilities and who successfully completed the Management Training Program. You, or if you are Entity one of your Owners, may be an Approved Manager provided you or the Owner devotes full time and attention to your Franchised Business. You must hire and train all your employees.

All persons affiliated with you who have access to our Confidential Information and/or Trade Secrets must sign our Confidentiality, Non-Disclosure and Non-Competition Agreement (See **Exhibit I** to this Franchise Disclosure Document) and keep our Confidential Information and Trade Secrets confidential.

If you are an individual, you must sign our Personal Guaranty (See **Exhibit J** to this Franchise Disclosure Document) and, if you sublease the Franchise Location, our Guaranty of Sublease (See **Exhibit G** to this Franchise Disclosure Document). If you are married, we may require your spouse to sign the Personal Guaranty and Guaranty of Sublease (if applicable).

If you are an Entity, all of your Owners must sign our Personal Guaranty and, if you sublease the Franchise Location, our Guaranty of Sublease. We may also require the spouse of such Owner to sign the Personal Guaranty and Guaranty of Sublease (if applicable).

ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer in the Franchised Business to customers only the Goods/Services that we have approved in writing. You must produce and sell all Goods/Services we specify, including all menu items and other products and services that we require you to sell, as stated in the Manuals or otherwise, which are all part of the System. We may change these specifications periodically, without limitation, and we may designate specific Goods/Services as optional or mandatory. You must offer all Goods/Services that we designate as mandatory. You must maintain a sufficient supply of required Goods/Services to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

You may not use the Franchised Business or the Franchise Location to produce or sell any goods, products, or services other than Goods/Services sold using the Marks. You may not produce or offer any products (i) that we do not authorize you to produce or sell or (ii) that we direct you not to produce or sell. You may sell Goods/Services only in the varieties, forms, and packages that we have approved. If we require you to produce any Goods/Services, you must strictly follow our Recipes, using only those product components, ingredients, flavoring, and garnishes that meet our then-current Standards. In dispensing the Goods/Services, you may use only containers, cartons, bags, boxes, napkins, and other paper goods and packaging bearing our then-currently approved text and designs, and that otherwise meet our then-current requirements, specifications, and quality standards.

You may not use the Marks for any other business. You may not conduct any business other than the business contemplated by the Franchise Agreement from your Franchise Location without first obtaining our written consent. In particular, you may not operate a ghost kitchen or delivery business selling goods, products, or services under another brand.

You must operate your Franchised Business all days and during the minimum hours we prescribe in the Manuals, unless local conditions, like terms of your Lease, require different days/hours or you obtain our prior written consent. At this time, we require your Franchised Business to open every day except Thanksgiving and Christmas. Minimum operating hours are 10AM to 10PM, unless we otherwise approve in writing. We may change operating days and minimum operating hours any time.

ITEM 17.
RENEWAL, TERMINATION,
TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise or other Agreement	Summary
A.	Length of the franchise term	FA – 2.1	10 years
		ADA – 2	Based on development schedule and your performance.

	Provision	Section in Franchise or other Agreement	Summary
B.	Renewal or extension of the term	FA - 2.2	You have 2 renewal options, each for 5 years.
C.	Requirements for you to renew or extend	FA - 2.2	<p>You must satisfy these requirements to enter into a renewal term:</p> <ul style="list-style-type: none"> a. Timely request a renewal term. b. Complete renewal application. c. Have been in substantial compliance with Franchise Agreement. d. Remodel, refurbish and renovate the Restaurant. e. Secure right to operate at Accepted Location or relocate the Restaurant if necessary to meet our then-current Standards. f. Sign and return your Renewal Franchise Agreement (which may be materially different from the terms contained in the Franchise Agreement attached to this Disclosure Document). g. Pay the Renewal Fee. h. You and your guarantors and owners must sign a general release. <p>If you do not meet these conditions by, and you continue to operate after, the expiration date of the Franchise Agreement, the Franchise Agreement will be extended on a month-to-month basis until such time as (i) the conditions above are satisfied, or (ii) we notify you that the Franchise Agreement is terminated.</p>
D.	Termination by you	FA – 17.1	Not applicable
E.	Termination by us without cause	Not applicable	Not applicable
F.	Termination by franchisor with cause	<p>FA - 17</p> <p>ADA - 7.1</p>	We may terminate the Agreement for good cause.

	Provision	Section in Franchise or other Agreement	Summary
G.	"Cause" defined - curable defaults	<p>FA - 17.3</p> <p>ADA - 7.1.5, 7.1.9, 7.1.10</p>	<p>You have 24 hours to cure if:</p> <ol style="list-style-type: none"> 1. You refuse us permission to inspect or audit. 2. Any dilution or adulteration of products at the Restaurant, or any misrepresentation, substitution, or palming off of non-Approved Products from the Restaurant operated under the Franchise Agreement. 3. You fail to comply fully with all laws. <p>You have 5 days to cure if:</p> <ol style="list-style-type: none"> a. You sell, barter, or exchange any Proprietary Goods or Approved Products or other proprietary items at wholesale or retail. <p>You have 10 days to cure if:</p> <ol style="list-style-type: none"> a. You fail to pay any of your debts to us, our affiliates, or others. b. You do not obtain personal covenants required under the Franchise Agreement. c. You default under your mortgage or Lease. d. You fail to obtain insurance or provide proof of insurance. e. You fail to provide required reports. <p>You have 30 days to cure if:</p> <ol style="list-style-type: none"> a. You do not maintain the required financial records. b. You fail to meet the Site Approval Deadline or Construction Start Deadline. c. You breach any other provision of your Franchise Agreement. <p>You have 10 days after notice to cure non-payment of fees; you have 30 days after notice to cure any default not listed in Section 7.1.1 - 7.1.8.</p>

	Provision	Section in Franchise or other Agreement	Summary
H.	"Cause" defined - non-curable defaults	<p>FA - 17.2</p> <p>ADA – 7.1.1</p>	<p>On notice to you:</p> <p>a. You violate restrictions on use of Confidential Information or fail to obtain the required additional covenants.</p> <p>b. You copy or permit anyone else to copy any part of the Manuals.</p> <p>c. You (or any principal of your Entity) are convicted of a felony, fraud, etc.; engage in conduct harmful to the Restaurant, System, or Proprietary Marks; or commit a fraud.</p> <p>d. You abandon the Restaurant or suspend operation of the Restaurant for 5 or more days without our consent.</p> <p>e. Your (or your affiliate's) interest in the Lease for the Accepted Location expires or terminates or you otherwise lose possession of the site.</p> <p>f. After curing a default, you commit the same or similar default again within 12 months.</p> <p>g. You become insolvent, become subject to bankruptcy, make an assignment for creditors, subject to a receiver, have unpaid judgments, subject to attachment proceedings or execution of levy, or undismissed foreclosure.</p> <p>h. You or your Owners violate, or have any assets blocked under, laws related to terrorism.</p> <p>i. You fail to meet the Opening Deadline (or any extended deadline).</p> <p>j. You have an uncured default in any other agreement with us or affiliates which would permit termination under such agreement.</p> <p>k. A threat or danger to public health or safety results from your continued operation of the Restaurant.</p> <p>l. You misuse or make any unauthorized use of the Proprietary Marks.</p> <p>Under the Area Development Agreement, non-curable defaults include your failure to satisfy Development Quota, as well as some of the same defaults that are non- curable under the Franchise Agreement, including bankruptcy and assignment for benefit of creditors, unapproved transfer, winding up, liquidation or dissolution, misrepresentation or omission in becoming a developer, conviction of crime, violation or termination of other agreement with us, receipt of two or more notices of default within 12 month period.</p> <p>Expiration or termination of Master Lease or Franchise Agreement.</p>

	Provision	Section in Franchise or other Agreement	Summary
M.	Conditions for franchisor approval of transfer	<p>FA - 16.3 (transfers that result in change in control or involve 20% interest in your entity)</p> <p>FA - 16.4 (non-control transfers)</p>	<p>In addition to any other conditions we may specify:</p> <p>(a) You must give us at least 90 days' prior written notice of any proposed Transfer.</p> <p>(b) You must pay all amounts you owe us and our affiliates.</p> <p>(c) You are not, and have not been during the term of the Franchise Agreement, in default under the Franchise Agreement or any other agreement with us, or any of our Approved Suppliers without curing such default within the time period specified.</p> <p>(d) Transferee and proposed Manager must attend and successfully complete training before transfer, at transferee's expense.</p> <p>(e) Transferee must meet our then-current requirements for new franchisees, including our requirements for proficiency in the English language.</p> <p>(f) Transferee agrees to upgrade and remodel Restaurant to conform to our then-current Standards for quality and appearance and trade dress.</p> <p>(g) Transferee must sign our then-current Franchise Agreement, which may contain terms materially different than your Franchise Agreement and will expire on the date of expiration of your Franchise Agreement.</p> <p>(h) Transferee enters into a written assignment and personal guaranty.</p> <p>(i) You and your guarantors and Owners sign a general release.</p> <p>(j) You must give us a copy of the signed assignment contract.</p> <p>(k) You pay us a Transfer Fee.</p> <p>(l) You and your Owners remain liable for pre-Transfer obligation</p> <p>(m) Landlord must consent to transfer.</p> <p>(n) We determine price will not impact operation.</p> <p>(o) You must comply with our right of first refusal.</p> <p>(a) You give us prior written notice of the transfer.</p> <p>(b) You pay all sums owed.</p> <p>(c) You are not in default</p> <p>(d) Transferee meets qualifications</p> <p>(e) Transferee signs assignment and guaranty</p> <p>(f) You and your guarantors and owners sign a general release.</p> <p>(g) You remain liable for pre-Transfer obligations.</p> <p>(h) You pay us a Transfer Fee.</p>

	Provision	Section in Franchise or other Agreement	Summary
		FA - 16.5 (related party transfers) ADA - 8.4, 8.5	(a) You give us prior written notice of the transfer. (b) You are not in default (c) Transferee meets qualifications (d) Transferee assumes in writing the Franchise Agreement and the guaranty. (e) You may not be in default under the Franchise Agreement. (f) You pay us a Transfer Fee. (g) You and your guarantors and owners must sign h. general release and remain liable for pre-Transfer obligations Transferee qualifies; transfer fee is paid; no outstanding defaults; purchase agreement approved; you sign general release; transferee assumes Area Development Agreement and principals sign personal guaranty; obligations to you must be subordinated to our rights. (See also r. below)
N.	Our right of first refusal to acquire franchisee's business	FA – 16.8; ADA - 8.3	We can match any offer for your Restaurant or substantially all interest in your entity.
O.	Our option to purchase franchisee's business	FA – 18.4	We may purchase your Goods related to the Restaurant at the fair market value (exclusive of good will) and may purchase your Accepted Location if you own it or your interest in the Lease.
P.	Death or disability of franchisee	FA - 16.6 ADA - 8.8	Within 180 days from your death or permanent incapacity you must transfer all rights and interests to buyer that complies with Transfer provisions, except no Transfer Fee will be due.
Q.	Non-competition covenants during the term of the franchise	FA – 15.4	No involvement in a competitive business (generally, similar types of businesses that offer products the same or similar to the Approved Products) anywhere. You may not divert or attempt to divert any business or potential business, misuse vendor relationships, or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.
R.	Non-competition covenants after the franchise is terminated or expires	FA - 15.4.B.	For 12 months after expiration or termination, no involvement in a competitive business at the Accepted Location, within 10 miles of your Accepted Location, or within 10 miles of any Restaurant; and no diverting or attempting to divert any business from any Restaurant
S.	Modification of the agreement	FA - 17.88.3, 22.2, and 22.3 ADA - 12.9;	No oral modifications, but we can change the Manuals

	Provision	Section in Franchise or other Agreement	Summary
T.	Integration/merger clause	FA - 22.2; ADA - 12.10	Only terms of Franchise Agreement or Area Development Agreement are binding (subject to state law). Any other promises may not be enforceable. Nothing in the Franchise Agreement or Area Development Agreement is intended to disclaim the representations in the Franchise Disclosure Document or its exhibits.
U.	Dispute resolution by arbitration or mediation	FA – 19.1; ADA – 11;	Most disputes must be resolved by arbitration.
V.	Choice of forum	FA – 19.1; ADA - 11.3	Subject to state law, currently, arbitration or lawsuit must be in the metropolitan area of district court where our principal place of business is located (currently, California).
W.	Choice of law	FA - 15.6 and 22.5; ADA - 11.4	Subject to state law, California law applies to all disputes except those related to the non-competition covenants, which will be governed by the laws of the state in which your Restaurant is located.

ITEM 18. PUBLIC FIGURES

At this time, we do not use any public figure to promote the YOSHINOYA franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned, affiliate-owned or franchised YOSHINOYA restaurants. We do not authorize our employees or representatives to make any such representations either orally or in writing. But if you are purchasing an existing YOSHINOYA restaurant from us or an affiliate of ours, we may provide you the actual records of that YOSHINOYA restaurant. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Yoshinoya America, Inc., Attn: Franchise Department, 991 Knox Street, Torrance, California 90502 (phone: 310/527-6060; e-mail: franchising@yoshinoyaamerica.com), the Federal Trade Commission and any appropriate state regulatory agencies.

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	26	23	-3
	2022	23	23	0
	2023	23	23	0
Company-Owned	2021	80	80	0
	2022	80	77	-3
	2023	77	77	0
Total Outlets	2021	106	103	-3
	2022	103	100	-3
	2023	100	100	0

TABLE 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2021 to 2023

State	Year	Number of Transfers
California	2021	2
	2022	0
	2023	0
Totals	2021	2
	2022	0
	2023	0

TABLE 3
Status of Franchise Outlets for Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Acquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2021	26	0	0	1	2	0	23
	2022	23	0	0	0	0	0	23
	2023	23	0	0	0	0	0	23
Totals	2021	26	0	0	1	2	0	23
	2022	23	0	0	0	0	0	23
	2023	23	0	0	0	0	0	23

TABLE 4
Status of Company-Owned Outlets for Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Acquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2021	80	0	2	2	0	80
	2022	80	0	0	3	0	77
	2023	77	0	0	0	0	77
Totals	2021	80	0	2	2	0	80
	2022	80	0	0	3	0	77
	2023	77	0	0	0	0	77

TABLE 5
Projected New
Franchised Outlets as of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company – Owned Outlets In the Next Fiscal Year
California	1	1	4
Total	1	1	4

Attached as **Exhibit K** is a list of the names of all YOSHINOYA restaurant franchisees and their addresses and telephone numbers as of December 31, 2023.

Attached as part of **Exhibit K** is a list of names, city and state and current business telephone number or last known home telephone numbers of every YOSHINOYA franchisee who had a franchise terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our most recently completed fiscal year ending December 31, 2023, or who have not communicated with us during the 10 weeks before the filing of this Franchise Disclosure Document. If you buy a franchise, your contact information may be disclosed to other buyers when you are a franchisee and when you leave the franchise system.

Attached as part of **Exhibit K** are the addresses and telephone numbers of all affiliate-owned Yoshinoya Restaurants.

During our last 3 fiscal years, we have not signed any confidentiality clauses with current or former franchisees which restrict them from speaking openly with you about their experience with us.

There are no trademark-specific franchisee organizations associated with the franchise system which we have created, sponsored or endorsed as of December 31, 2023.

**ITEM 21.
FINANCIAL STATEMENTS**

Attached as **Exhibit L** are our audited Financial Statements for the fiscal years ended December 31, 2023, 2022, and 2021.

**ITEM 22.
CONTRACTS**

All agreements proposed for use in this State are attached to this Franchise Disclosure Document as follows:

- EXHIBIT C** - Franchise Agreement
- EXHIBIT D** - Area Development Agreement
- EXHIBIT E** - General Release
- EXHIBIT F** - Sublease
- EXHIBIT G** - Guaranty of Sublease
- EXHIBIT H** - Addendum to Lease
- EXHIBIT I** - Confidentiality, Non-Disclosure and Non-Competition Agreement
- EXHIBIT J** - Personal Guaranty
- EXHIBIT N** - Advertising Addendum to Franchise Agreement
- EXHIBIT O** - Spousal Consent

**ITEM 23.
RECEIPTS**

The last 4 pages of this franchise disclosure document are detachable receipt pages (**Exhibit R**). Please insert the name, address and telephone number of the franchise seller, and date and sign both copies. Detach the last 2 pages and return to us promptly on execution. Retain the other copy of the receipt pages for your records. If these pages or any other pages or exhibits are missing from your copy, please contact us at this address or phone number:

Yoshinoya America, Inc.
991 Knox Street
Torrance, California 90502
(310) 527-6060
Email: franchising@yoshinoyaamerica.com

EXHIBIT A

FTC AND STATE ADMINISTRATORS

Federal Trade Commission

Division of Marketing Practices
Bureau of Consumer Protection
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580.
(202) 326-3128 1-877-FTC-HELP

CALIFORNIA

Commissioner of Department of Financial
Protection & Innovation
Department of Financial Protection &
Innovation
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(866) 275-2677

San Diego

1455 Frazee Road, Suite 315 San Diego,
California 92108 (619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8559

ILLINOIS

Office of Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

HAWAII

Hawaii Securities Commissioner
Department of Commerce and Consumer
Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

INDIANA

Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MINNESOTA

Minnesota Department of Commerce
Securities Section
85 7th Place, Suite 280
St. Paul, Minnesota 55101
(651)-539-1638

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - 5th Floor
Bismarck, North Dakota 58505-0510
(701) 328-4712

RHODE ISLAND

Director of Business Regulations
State of Rhode Island
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910
(401) 462-9500

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

WISCONSIN

Wisconsin Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555

MICHIGAN

Michigan Department of Attorney General
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 W. Ottawa Street
Lansing, Michigan 48909
(517) 373-7117

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236

OREGON

Department of Consumer and Business
Services
Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

WASHINGTON

Securities Division
Department of Financial Institutions
PO Box 41200
Olympia, WA 98504-1200
(360) 902-8760

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of Department of Financial
Protection & Innovation
Department of Financial Protection &
Innovation
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(866) 275-2677

San Diego

1455 Frazee Road, Suite 315 San Diego,
California 92108 (619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8559

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

MARYLAND

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

HAWAII

Hawaii Securities Commissioner
Department of Commerce and Consumer
Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

INDIANA

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MICHIGAN

Michigan Department of Attorney General
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 W. Ottawa Street
Lansing, Michigan 48909
(517) 373-7117

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NORTH DAKOTA

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-4712

RHODE ISLAND

Director of Business Regulations
State of Rhode Island
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910
(401) 462-9500

VIRGINIA

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

WISCONSIN

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

NEW YORK

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

OREGON

Department of Consumer and Business
Services
Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

WASHINGTON

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

EXHIBIT C

FRANCHISE AGREEMENT



YOSHINOYA® FRANCHISE AGREEMENT

BETWEEN

YOSHINOYA AMERICA, INC.

AND

Restaurant Number: _____

YOSHINOYA® FRANCHISE AGREEMENT

Table of Contents

<u>Section</u>	<u>Page</u>
1. GRANT OF FRANCHISE	5
2. TERM AND RENEWAL TERM	6
3. FEES.....	7
4. RESERVED RIGHTS	10
5. SITE IDENTIFICATION AND ACQUISITION.....	12
6. LEASEHOLD IMPROVEMENTS	15
7. GOODS AND SERVICES	17
8. COMPLIANCE WITH THE SYSTEM AND MANUALS	20
9. INTELLECTUAL PROPERTY.....	21
10. ADVERTISING AND PROMOTION.....	23
11. TRAINING AND SUPPORT.....	27
12. YOUR OBLIGATIONS.....	30
13. INDEMNIFICATION; INSURANCE.....	35
14. RIGHT TO ACCESS; RECORDS; REPORTING	37
15. CONFIDENTIAL INFORMATION; RESTRICTIVE COVENANTS	39
16. TRANSFER.....	43
17. DEFAULT AND TERMINATION.....	47
18. OBLIGATIONS ON EXPIRATION OR TERMINATION.....	51
19. DISPUTE RESOLUTION.....	54
20. MISCELLANEOUS.....	58
21. CONSTRUCTION	60

EXHIBITS

Schedule A	-	Franchise Specific Terms
Schedule B	-	State Law Addendum (If Required)

YOSHINOYA[®] FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is entered into as of the date stated in Schedule A (the “Effective Date”) (Schedule A and all appendices and schedules attached to this Agreement are incorporated by this reference) between the franchisor stated in Schedule A (“we,” “us,” or “our”) and the franchisee stated in Schedule A (“you,” or “your”).

RECITALS:

A. We and our affiliates have developed and own, and will continue to develop, a distinctive business format and set of specifications and operating procedures (collectively, the “**System**”) relating to the development, establishment, and operation of food-related businesses offering the approved products stated in Schedule A (the “**Approved Products**”) under the primary trademark or service mark stated in Schedule A (the “**Primary Mark**”).

B. The distinguishing characteristics of the System include our distinctive exterior and interior layouts, designs, and color schemes; our distinctive signage, decorations, furnishings and materials; our software and computer programs; our selection of Approved Products; our proprietary recipes and formulae (“**Recipes**”) used to create our proprietary flavorings or ingredients (“**Proprietary Ingredients**”) and/or our proprietary Approved Products (the “**Proprietary Products**”); our distinctive techniques for packaging, displaying, and merchandising Approved Products; our advertising and marketing programs and materials; our relationships with our vendors; our methods of operating a food-related business; our operations and administrative systems; our training programs; our methods and techniques for inventory and cost controls, recordkeeping, and reporting; our customer service standards; and any guidelines, standards, specifications, rules, procedures, policies, methods, requirements, and directives we establish, including our standards and specifications as to Recipes, ingredients, food and beverage preparation, food storage, interior and exterior design and décor, sanitation, maintenance, and equipment (the “**Standards**”) stated in our confidential brand standards manuals (the “**Manuals**”) and otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time.

C. We identify businesses operating under the System by means of certain names and marks, including the Primary Mark, as well as other trade names, service marks, trademarks, logos, insignias, slogans, emblems, symbols, and designs that we have designated or may in the future designate for use with the System (collectively, the “**Marks**”). We and our affiliates may modify the Marks from time to time, adding new trade names, service marks, and trademarks that also will be included in the term “Marks.”

D. We refer to businesses that use the System and are identified by the Marks as “**Businesses**.” You desire to obtain a license to use the System and the Marks to operate one Business, and we are willing to grant you a license to operate a Business, subject to the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing promises and the covenants and agreements in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. GRANT OF FRANCHISE

1.1 Grant of Franchise. Subject to the terms of this Agreement, we grant to you, and you accept, a non-exclusive license to operate one Business using the Marks and the System (collectively, your “**Franchised Business**”). Your Franchised Business will be operated only at the location stated in Schedule A (the “**Accepted Location**”) or, if we have not yet accepted a site for the Franchised Business as of the Effective Date, at a location that we have accepted in accordance with this Agreement within the geographic area stated in Schedule A (the “**Site Selection Area**”).

1.2 Restrictions. You have no right to (i) sublicense the Marks or the System to any other person or entity, (ii) use the Marks or the System at any location other than the Accepted Location, except as otherwise provided in Section 4.3 (Delivery Services) or as otherwise approved in writing, or (iii) to use the Marks or the System in any wholesale, e-commerce, or other channel of distribution besides the operation of the Franchised Business at the Accepted Location.

1.3 Acceptance of License. You accept the license granted in Section 1.1 (Grant of Franchise) and agree to operate the Franchised Business according to the provisions of this Agreement for the entire Term, as defined in Section 2.2 (Renewal Term).

1.4 Ownership and Guaranty.

A. Owners of Equity. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on Schedule A and each of your Owners must sign the “Personal Guaranty” (the “**Guaranty**”). By signing the Guaranty, each Owner is bound by the provisions in this Agreement. Further, a violation of any of the provisions of this Agreement, by any Owner also will constitute a violation by you of your obligations under this Agreement. You represent that the individuals signing this Agreement under the Guaranty represent that they are your sole owners. You will conspicuously identify yourself and the Franchised Business, in all dealings with your customers, contractors, suppliers, public officials, and others, as an independent franchisee, in the fashion that we specify.

B. Primary Contact. You must identify to us in writing an individual, who is reasonably acceptable to us, to serve as your “**Primary Contact**.” You must empower the Primary Contact with the responsibility and decision-making authority regarding the Franchised Business and its operation, and you acknowledge and agree that we will have the right to rely upon the Primary Contact for such purposes. Your Primary Contact must successfully complete any training programs that we specify and must satisfy any other standards we may require for their position. The Primary Contact must: (i) directly supervise the operations of the Franchised Business and the other Franchised Businesses operated by you; (ii) hold a direct or indirect, legal, or beneficial interest of 10% or more in your Entity; and (iii) be accepted by us. We reserve the right, in our sole discretion, to accept a Primary Contact proposed by you who does not satisfy (ii) in the previous sentence if such proposed Primary Contact (a) holds a direct or indirect, legal or beneficial interest in your Entity and (b) you have a written agreement that provides for a means that such Primary Contact will increase such interest to 10% or more in your Entity. You must notify us immediately of the death, disability, or termination of employment of your Primary Contact and must designate a successor or acting Primary Contact within 30 days after the death, disability, or termination of the predecessor. Additionally, you may not remove or replace the Primary Contact without our prior written approval.

C. Governing Documents. If you are (or Transfer this Agreement to) an Entity, on our request, you agree to furnish us with a list of holders of direct or indirect equity interests and their percentage interests, as well as copies of your governing documents and any other corporate documents, books, or records, including certificates of good standing from your state. Unless we provide written consent to the contrary, your governing documents must provide that your purpose is limited to the development, acquisition, ownership and operation of one or more franchises with us and to conducting all business and financing activities related to these franchises. The Owners may not enter into any shareholders' agreement, management or operating agreement, voting trust, or other arrangement that gives a third party the power to direct and control your affairs without our prior written consent. During the Term, your governing documents must provide that no transfer of any ownership interest may be made, except in accordance with Section 16 (Transfer) of this Agreement. Any securities that you issue must bear a conspicuous printed legend to that effect.

2. TERM AND RENEWAL TERM

2.1 Initial Term. The initial term of this Agreement (the “**Initial Term**”) will begin on the Effective Date and will end 10 years from the date that your Franchised Business opens for business (the “**Opening Date**”), unless this Agreement is terminated sooner as provided in other sections of this Agreement.

2.2 Renewal Term.

A. Grant of Renewal Term. We may, in our reasonable discretion, grant you two additional 5-year terms (each a “**Renewal Term**,” and collectively, with the Initial Term, the “**Term**”). To obtain the Renewal Term, (i) at all times during the Term, you must have substantially and timely complied with each provision of this Agreement and any other agreements between you and us, our affiliates, or your landlord and you must not have any defaults in existence as of the expiration of the Initial Term, and (ii) you must request, in writing, no earlier than 12 months, but no later than 6 months before the expiration of the Initial Term, that we grant you a Renewal Term. We will then provide you with an Application for a Renewal Term (an “**Application**”), that you must complete and return to us within 10 days after we deliver it to you. We will evaluate your Application under substantially the same standards as we evaluate an application for a franchise submitted by a then-new franchisee.

B. Conditions for Renewal Term. If we approve your Application, you must:

(i) Agree in writing before the Renewal Term begins that you will make the significant capital expenditures necessary to complete a Remodel (as defined in Section 12.6.B. (Remodel)) within 6 months after the Renewal Term begins.

(ii) Sign and return our then-current form of franchise agreement (the “**Renewal Agreement**”) within 30 days after we deliver it to you and pay a renewal fee of 25% of the amount of the then-current Initial Franchise Fee (the “**Renewal Fee**”). You agree that the Renewal Agreement may contain terms that differ materially from this Agreement.

(iii) Sign a general release in a form we prepare, releasing us and our parents, subsidiaries, and affiliates and the respective directors, officers, owners, shareholders, partners, members, managers, representatives, employees, agents, attorneys, contractors, predecessors, successors, heirs and assigns of each of the foregoing (in their corporate and individual capacities) (collectively, the “**Released Parties**”), from all claims you may have against the Released Parties as of the date of the Renewal Agreement. Your Owners also must sign the general release required in the previous sentence. Released Parties is not intended to include suppliers or distributors to you that are not affiliated with us and are not acting as our agent.

(iv) Secure the right from your landlord to continue operating at the Accepted Location for the remainder of the Renewal Term. Alternatively, we may require you to relocate your Franchised Business if we find that the Accepted Location does not meet our then-current standards at the time we consider your Application.

C. No Automatic Right. You agree that this Agreement does not grant you any automatic rights to a Renewal Term and that we are not obligated to offer you a Renewal Term. The sole basis for any extension of your franchise rights beyond the Initial Term is in this Section.

D. Extension Period. If you do not timely comply with the renewal requirements stated in this Section and you continue to operate the Franchised Business beyond the Initial Term, this Agreement will be extended on a month-to-month basis until (i) the conditions stated in this Section are satisfied or (ii) we notify you that this Agreement is terminated (the “**Extension Period**”) (in which case, you must fully comply with all provisions of this Agreement throughout the Extension Period, as if this Agreement had not expired, and on notice of termination of this Agreement, you must comply with all post-termination obligations in this Agreement).

3. FEES

3.1 Initial Franchise Fee. When you sign this Agreement, you will pay us an initial franchise fee as stated in Schedule A (the “**Initial Franchise Fee**”). When we sign this Agreement, the Initial Franchise Fee is fully earned and nonrefundable. You agree that we have no obligation to refund any portion of the Initial Franchise Fee to you, even if this Agreement is terminated before opening the Franchised Business.

3.2 Ongoing Fees.

A. Royalty Fee. You must pay to us a recurring, non-refundable royalty fee in the amount and at the times stated in Schedule A (the “**Royalty Fee**”). Concurrent with these payments, you must submit to us any reports or statements required under Section 14.3 (Systems and Reports).

B. Marketing Fee. You must pay to us a recurring, non-refundable marketing fee in the amount and at the times stated in Schedule A (the “**Marketing Fee**”). The Marketing Fee is in addition to, and exclusive of, your Grand Opening Obligation as stated in Section 10.1.C. (Grand Opening Advertising) and your Local Marketing Obligation as stated in Section 10.1.E. (Local Marketing Obligation), if any.

C. Technology Fee. You must pay us a monthly fee, if implemented, to cover the costs of the technology products and services that we make available to the System. This fee will cover licensing fees for various technology platforms and ongoing staff support and maintenance of technology systems. We reserve the right to upgrade, modify, and add new software. We reserve the right to enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you. We also reserve the right to create proprietary software and technology that must be used by franchisees, in which case, we may require that you enter into a license agreement with us and pay us a reasonable initial and ongoing licensing, support and maintenance fees. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software. This fee may increase at our sole discretion and in amount determined by us in our sole discretion.

D. Net Sales. “**Net Sales**” means all revenues generated by your Franchised Business or conducted from or with respect to the Franchised Business, whether the sales are evidenced by cash, check, credit, charge, account, barter or exchange. Net Sales includes monies, gift card redemptions, or credit generated by or received from (i) the sale of Approved Products or tangible property of every kind and nature, promotional or otherwise, anywhere and (ii) services performed from, at, or in connection with the Franchised Business, including (x) off-premises services (such as catering and delivery), (y) on-premises services such as games (e.g., slot machines) or third-party advertising (e.g., on menus), or (z) any other services or activities that use either the System, the Marks, or products that are the same as or similar to the Approved Products. The foregoing list is not intended to provide approval for these activities, which may be conducted only if approved. Unless we specify otherwise in writing, Net Sales includes all ancillary charges or fees, including delivery fees and other service charges, that are paid to you by a customer or by a third-party delivery or catering service (e.g., Uber Eats, Postmates, Grubhub, ezCater, or DoorDash) (a “**TPS**”) in connection with delivery or catering services related to your Franchised Business (recognizing that even though the TPS may pay you the purchase price charged to the customer less a commission, other fees, and any discounts, credits, or coupons applied to the order, these commission, fees, discounts, credits, and coupons will not be deducted from your Net Sales). Net Sales will not include (a) the initial sales or reloading of gift cards, (b) discounts, (c) the sale of food or merchandise for which refunds have been made in good faith to customers, (d) the discounted portion of employee meals, (e) sales, meals, use or excise tax imposed by a governmental authority directly on sales and collected from customers, provided that the amount for the tax is added to the selling price or absorbed therein and is actually paid by you to a governmental authority, (f) the sale of equipment used in the operation of the Franchised Business, or (g) tips.

E. Ordering Support Fee. You may be required to pay us, our affiliates, and/or one or more third parties that we designate, an ordering support fee, in an amount and at the times that we specify, for various ordering support services that we will provide or arrange for our affiliates or third parties to provide, such as services related to online and catering ordering platforms, call center(s), ordering and delivery management services, and catering rewards program(s) (the “**Ordering Support Fee**”). We may include in the fee our and our affiliates’ costs and administrative expenses related to procuring, providing, and/or developing the services, including the costs of integrating these services with the Computer System. We periodically may add, delete, or otherwise modify the products and services that are included in the Ordering Support Fee.

3.3 Additional Payments. You must pay us or our affiliates within 10 days after demand: (i) all sales taxes, corporate taxes, and any similar taxes paid by us on your behalf, imposed on us, or required to be collected by us on account of products or services we furnish to you (through sale, lease, or otherwise) or on account of our collection of any fee related to this Agreement; (ii) all franchise or similar taxes, whether based on gross receipts, gross revenues, Royalty Fees, Marketing Fees, or otherwise, imposed on, required to be collected by, or paid by us; (iii) all marketplace facilitator or similar taxes imposed on, required to be collected by, or paid by us in connection with your use of websites, applications, or online ordering platforms; (iv) all other amounts we pay or must pay for you for any reason; (v) any other fees or expenses that we are entitled to collect from you; and (vi) collection costs, attorneys' fees and court costs we incur related to you, your Owners, or the Franchised Business (other than those we incur in response to your efforts to enforce this Agreement or in the defense or any claim we assert against you on which you substantially prevail in court or other formal legal proceedings).

3.4 Means of Payment. You must pay all amounts you owe us by electronic funds transfer or draft. We reserve the right to require you to deliver these payments to another party or location, or through any other means of delivery we specify, including by check, electronic funds transfer or draft, wire transfer, or other forms of funds transfer. We also reserve the right to change the due dates or frequency of the due dates of the amounts that you owe to us under this Agreement. We will notify you when we change the location for payments, the required payment delivery method, the due dates, or the frequency of the due dates for payments. You must comply with any new or additional procedures we specify in the Manuals or otherwise, in writing, and/or perform any acts and sign and deliver any documents we designate as necessary to assist in accomplishing payment by the method that we specify within 30 days of our notice to you. If there are insufficient funds in your account to cover our draft, we will charge you return costs and an administrative fee. The written authorizations and documents that you must sign as provided under this Section may give us the right to initiate debit entries and/or credit corrections entries. We may make bank drafts based on the reports required under Section 14 (Right to Access; Records; Reporting), the data of the point-of-sale system and other equipment provided for in Section 12.8 (Computer System), or the results of an audit. If you fail to report the Net Sales of the Franchised Business to us for any reporting period as required in this Agreement, we have the right to make bank transfers or drafts for Royalty Fees and Marketing Fees based on our reasonable estimate of the amounts for the Franchised Business and/or the data of the point-of-sale system and other equipment provided for in Section 12.8.

3.5 Dishonored Item Fee; Late Fee; Interest. If any check, ACH debit, electronic funds transfer, credit or wire transfer or other form of payment from you to us is dishonored, rejected or for any reason not completed, whether due to insufficient funds, discrepancy in the instrument or instructions, or other reason, then you must immediately reimburse any charge that our financial institution imposes on us and in addition pay us a dishonored item fee of \$75. In addition, you must pay us interest on amounts not paid on time at the rate of 1.5% per month or portion of a month, but not more than the maximum interest rate permitted by applicable laws.

3.6 Late Reporting Fee. If you fail to submit timely, complete, and accurate reports, financial statements, tax returns, and statements of initial investment costs in accordance with Sections 14.3 (Systems and Reports), 14.4 (Financial Statements), 14.5 (Tax Returns), and 14.7 (Initial Investment Statements), we may charge you our then-current late fee (the "**Late Reporting Fee**"). The Late Reporting Fee is currently \$50 per day that the report, statement, or return is late, but we may revise it through a modification to the Manuals or otherwise in writing.

3.7 Professional Fees Reimbursement. You must reimburse legal and any other professional fees we incur on your behalf in connection with lease or sublease negotiations, your sale or purchase of a Franchised Business, financing negotiation assistance or any other matter you or a third party (such as a landlord or lender) requests.

3.8 Application of Funds; Withholding of Payments. If you are late in paying any obligation you owe us or our affiliates, we or our affiliates may apply any payment you make to any obligation you owe us or our affiliates, whether or not you make any designation to the contrary. You may not withhold or set off payment of any amount you owe us or our affiliates on grounds of alleged non-performance of any obligation we or they owe you.

4. RESERVED RIGHTS

4.1 Reserved Rights. You do not have any protected or exclusive rights under this Agreement except as expressly provided in this Agreement. We reserve all rights that we do not expressly grant you in this Agreement, including those rights described in this Section.

A. Any Protected Territory granted to you is described in Schedule A.

B. Protected Rights. During the Term, we will not establish or operate, nor license any other person to establish or operate, a Business operating under the Marks and the System at any location within the Protected Territory, except in Captive Audience Locations, in Delivery Kitchens, and as otherwise provided in this Agreement. **“Captive Audience Locations”** include limited access and captive audience facilities, concession departments, separate areas, and other types of institutional accounts, which may include (i) airports, bus and railroad terminals, and other public transportation facilities, (ii) sports arenas, stadiums, and facilities, (iii) gasoline service stations, highway rest stops, and travel plazas, (iv) amusement parks or centers, zoos, parks, aquariums, museums, art centers, concert venues, theaters, drive-in theaters, movie theaters, amphitheaters, casinos, and other entertainment or tourist facilities, (v) supermarkets, convenience stores, department stores, outlet malls, and enclosed malls, (vi) food courts, (vii) hospitals and other health care facilities, (viii) universities, schools, and education facilities, (ix) convention centers, (x) military bases, and (xi) office buildings, business complexes, condominiums, dormitories, other high-density locations, and other similar non-restaurant locations. **“Delivery Kitchens”** include kitchens devoted to the preparation of products or Approved Products (often referred to as ghost, dark, or cloud kitchens), which may use the Marks and may deliver to customers located anywhere.

C. Our Reserved Rights. We reserve all rights that we do not expressly grant you in this Agreement. For example, without limitation, we have the following rights, without providing any rights or compensation to you:

(i) We and/or our affiliates may establish or license franchises and/or company-owned businesses offering products or services that are similar or identical to the Approved Products using the System or elements of the System under the Marks or any other marks anywhere outside of the Protected Territory or in Captive Audience Locations inside or outside the Protected Territory.

(ii) We and/or our affiliates may produce and/or sell Approved Products or any other products or services, and authorize others to produce and/or sell Approved Products or any other products or services, using the Marks, the System, and any other marks and/or systems we desire through any alternative channel of distribution located anywhere, including to

and through (a) supermarkets, convenience stores, club stores, and other retail facilities not dedicated to the sale of the Approved Products, (b) mail order and e-commerce channels, and (c) Delivery Kitchens.

(iii) We and/or our affiliates may advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside any Protected Territory.

(iv) We and/or our affiliates may acquire, be acquired by, or merge with another entity with existing businesses or franchises that are similar to or competitive with the Businesses anywhere (including inside and outside the Protected Territory (if any)) and (i) convert the other businesses to be Businesses operating under the Marks and the System (except inside your Protected Territory (if any)), (ii) permit the other businesses to continue to operate under another name anywhere (including inside your Protected Territory (if any)), and/or (iii) permit the businesses to operate under another name and convert your Franchised Business and existing Businesses to such other name.

D. Acknowledgements. You acknowledge that we, our affiliates, and our and their other franchisees may solicit customers in, and service customers who are from, any geographic location we or they desire, including locations within your Protected Territory, and that we, our affiliates, and other franchisees may provide Delivery Services within your Protected Territory.

E. Modification of Protected Territory. If you (i) commit a default that cannot be cured as stated in Section 17.2 (Our Termination: No Opportunity to Cure) or if you fail to cure a default within the cure period stated in Section 17.3 (Our Termination: Opportunity to Cure Within Cure Period) and (ii) we do not exercise our right to terminate the Agreement, we may, at our sole election and upon delivery of written notice to you, temporarily or permanently eliminate or reduce the size of your Protected Territory, in addition to any other remedies stated in Section 17.5 (Our Remedies After Your Default).

4.2 No Marketing Exclusivity. You agree that: (i) nothing in this Agreement grants you any marketing exclusivity as to particular customers; and (ii) we, our affiliates, and our and their other franchisees may solicit customers in, and service customers who are from, any geographic location we or they desire, including locations close to your Franchised Business.

4.3 Delivery Services. We require you to offer delivery services (“**Delivery Services**”) and you must do so in accordance with the terms of the Manuals and this Agreement. You may only provide Delivery Services through a TPS that we approve or designate. If a TPS is unavailable to provide Delivery Services for your Franchised Business, you may not be required to offer Delivery Services, subject to our written approval. You agree that we, our affiliates, and other franchisees may provide Delivery Services near your Franchised Business. We retain the right to revise and/or make exceptions to our Delivery Services policies as they apply to you and our other franchisees. We reserve the right to limit the geographic area in which you provide Delivery Services.

5. SITE IDENTIFICATION AND ACQUISITION

5.1 Accepted Location. You must establish and operate the Franchised Business only at the Accepted Location. You will not conduct, and you will not permit the conduct of, any business from the Accepted Location other than the Franchised Business. You will not conduct, and you will not permit the conduct of any, sale of Approved Products using the Marks at any location other than the Accepted Location (except for the Delivery Services described in Section 4.3) without our prior written consent. If we consent to operations away from your Accepted Location, you will have to sign a separate agreement concerning your mobile or satellite business operations, which may include limitations on the type of activities that you may conduct and may include additional or different financial terms.

5.2 Our Assistance. We may assist you in selecting a proposed site for your Franchised Business (a **"Proposed Location"**), but we are not obligated to do so. You should undertake your own investigation of any Proposed Location and should not rely on any information from us in selecting the Proposed Location.

5.3 Acceptance of Proposed Location. If you and we have agreed on an Accepted Location at the time we sign this Agreement, we will insert the Accepted Location into Schedule A. If you and we have not agreed on an Accepted Location at the time we sign this Agreement, you will select a Proposed Location that complies with our site selection criteria within the Site Selection Area. You will provide us with all material we request to evaluate the suitability of the Proposed Location for your Franchised Business along with a site plan for the Proposed Location. We will provide you with our acceptance or non-acceptance of the Proposed Location within 21 days after you deliver the last item of materials we request, and our determination will be final. If we accept the Proposed Location as the Accepted Location, you must sign standard documentation we prepare, that includes a general release, to document the Accepted Location. Our acceptance of any Proposed Location is our agreement that the Proposed Location satisfies our minimum site selection criteria only.

A. Following receipt of your written site proposal for the Proposed Location, we will make one on-site visit to the area where the proposed site for your first Franchised Business is located if we reasonably believe physical inspection of the demographic conditions of the area or of a particular location is necessary to evaluate your proposal.

B. As long as you submit a properly completed written site proposal that includes the materials identified in the Manuals and/or written documents, we will not impose any fee or other charge to make this on-site visit; however, if we make the trip and determine that the written site proposal is incomplete, you must reimburse us for our actual travel expenses in connection with the visit.

C. If you request that we make more than one on-site visit, or if we determine that more than one on-site visit is necessary to select the Accepted Location for your Franchised Business, or if an on-site visit is requested or required in connection with relocation of your Franchised Business or the selection of any additional Franchised Business you will own, you must pay our then-current per diem site review fee (**"Site Review Fee"**) and reimburse our travel expenses.

5.4 Site Acquisition.

A. Acceptance and Signing of Site Agreement. You must deliver a copy of the signed lease, sublease, or other rental agreement for the location (the “**Lease**”) or purchase agreement for the location (the “**Purchase Agreement**” and, collectively with the Lease, the “**Site Agreement**”) to us with all material terms stated therein, and any other additional documents you are required to sign with the Site Agreement, either: (i) after we sign this Agreement if we have identified the Accepted Location before we sign this Agreement, or (ii) immediately following the date we accept the location after we sign this Agreement. We may charge you a Lease Documentation Late Fee if you fail to timely provide the Site Agreement within 15 days after its execution. The “**Lease Documentation Late Fee**” is \$500 per month (or partial month) from the due date for providing the Site Agreement until the date it is delivered. Before you sign the Site Agreement, you must ensure that it meets the requirements of this Section 5.4. We have the right, but not the obligation, to review your Site Agreement before you sign it to verify its compliance with this Section 5.4.

B. Site Agreement Restrictions. If you sign a Site Agreement, (i) you may not create any obligations on our behalf, grant any rights adverse to our rights, or agree to any other term that is inconsistent with any term of this Agreement; (ii) you must duly and timely perform all terms under the Site Agreement; and (iii) except as otherwise provided in this Agreement, you may not assign, encumber, or transfer the Site Agreement, or sublet all or any part of the Accepted Location, without our prior written approval, which approval will not be unreasonably withheld. You must ensure that all Site Agreements comply with any terms stated in the Manuals.

C. Preferred Lease Terms. You must use commercially reasonable efforts to ensure that all Leases include, unless we agree otherwise in writing:

(i) a provision that requires the landlord concurrently to provide us with a copy of any written notice of breach or default under the Lease sent to you, and that grants to us the right (but not the obligation) to cure any defaults under the Lease within a reasonable time (at least 15 days for monetary defaults and 30 days for non-monetary defaults);

(ii) a provision that provides that on the expiration or termination of this Agreement or on your default under the Lease or under this Agreement, we will, without your or the landlord’s further consent, have (a) a continuing right of entry into the Franchised Business, (b) the right to operate a Business at the Accepted Location, (c) the right, but not the obligation, to assume your interests under the existing terms of the Lease and to occupy the Accepted Location for the Franchised Business, and (d) should we assume your position under the Lease, the right to assign the Lease or sublet the premises to a third party that will operate a Business at the location;

(iii) a provision that provides that on expiration or termination of the Lease, we will, without your or the landlord’s further consent, have a continuing right of entry into the Franchised Business to remove Proprietary Products and any materials bearing the Marks;

(iv) a provision that provides that the Lease may not be modified or amended without our written consent, which will not unreasonably be withheld;

(v) a provision that allows you to offer or distribute product samples outside or over the counter of the Franchised Business, as applicable;

(vi) a provision that provides that if we assume your obligations and replace you as the lessee under the Lease or sign a new lease, and we later reassign the Lease or new lease to another franchisee, we will not be liable for any obligations to landlord under the Lease or new lease after the reassignment; and

(vii) a provision that provides that your Franchised Business will have at least one designated parking space for curb-side pickup.

D. Site Agreement Modifications. You must submit a copy of any proposed modification, amendment, or renewal of the Site Agreement (a “**Site Agreement Change**”) (along with a true and complete copy of the then-existing Site Agreement) to us for our review and approval before signing these documents, not less than 10 days before the proposed effective date of the modification, amendment, or renewal. Our review of the proposed Site Agreement Change will be limited to ensuring that it is compliant with the terms of this Agreement. Our acceptance of the Site Agreement Change will not be unreasonably withheld and may be conditioned on the inclusion of terms in the Site Agreement acceptable to us, including those provisions as stated in Section 5.4.C. (Preferred Lease Terms). We will notify you in writing whether we approve of the proposed Site Agreement Change. If approved and later signed, you must provide us with a copy of the signed Site Agreement Change within 15 days after its signing. We may charge you a Lease Documentation Late Fee if you fail to timely provide the modified or renewed Site Agreement.

E. Subleases. We reserve the right, directly or through an affiliate, to master lease any location and then sublet the location to you. Concurrently, with the signing of the Franchise Agreement, you may enter into a sublease with us if an acceptable site has been identified and we are or will be the master lessee of the site. As part of the sublease you must pay us our then-current sublease administration fee. In addition, you must pay us a security deposit generally equal to the amount charged to us by the master landlord. However, unless we have agreed otherwise in a separate written agreement, we have no obligation to enter into a sublease with you for any location. If we and you are parties to a sublease and we elect to assign the master lease to you, you must sign all documents the landlord requires to facilitate the assignment and cooperate with our efforts to obtain our release. Any real estate and improvement costs associated with the development of the Accepted Location are your responsibility. In addition, if you are late in paying your rent or other fees under the sublease to us, we may impose a sublease late fee of 10% of the amount then due, payable on demand.

5.5 Relocation of the Franchised Business.

A. Relocation Request. You may relocate the Accepted Location of the Franchised Business at your expense, if, before closing the Franchised Business, you submit a site acceptance request (in the form we provide to you) for your new Proposed Location and obtain our acceptance of the relocation to the Proposed Location. A relocation includes any change of the location of the Franchised Business within a mall, facility, or building to a new location within the same mall, facility, or building. We are under no obligation to approve a relocation of the Franchised Business. Approval under this Section 5.5 will be within our sole discretion, and our approval will not be granted unless you are in compliance with all terms of this Agreement and you have the funds available to relocate the Franchised Business and construct a new Franchised Business according to our then-current design standards.

B. Relocation Conditions. If we approve, in our sole discretion, the relocation of the Franchised Business under this Section 5.5, you agree to comply with the following conditions:

(i) the new location will be considered the “Accepted Location” as used in this Agreement;

(ii) all Site Agreements you enter into to secure the new location must comply with Section 5.4 (Site Acquisition);

(iii) you must make, or cause to be made to the former Accepted Location, changes in the signs and interior and exterior of the former Accepted Location so as to effectively distinguish that location from any other Business;

(iv) You must reimburse us for the out-of-pocket expenses we incur in helping you relocate;

(v) we may require you to pay an agreed minimum royalty to us during the period in which the Franchised Business is not in operation (if any); and

(vi) we may require you to sign our then-current form of franchise agreement to replace this Agreement (the “**New Franchise Agreement**”) or any other documents we require to amend this Agreement. You agree that the New Franchise Agreement may contain terms that are materially different from this Agreement, but you will not be required to pay another initial franchise fee if you sign a New Franchise Agreement. If the term of the Lease for the new location extends beyond the Term, we may, in our sole discretion, extend the term of this Agreement or the New Franchise Agreement to match the term of the Lease for the new location, and you must pay a relocation extension fee of \$2,750 multiplied by the number of years between the original expiration date of the Term and the expiration of the term of the Lease for the new location.

6. LEASEHOLD IMPROVEMENTS

6.1 Leasehold Improvements. You must hire a licensed and insured general contractor (“**General Contractor**”) to complete the build-out of your Franchised Business, and the General Contractor must be accepted by us. Our acceptance of your General Contractor will not in any way be our endorsement of your General Contractor or render us liable for your General Contractor’s performance. We may require any items used in the Franchised Business to meet our minimum Standards and/or to be sourced from suppliers or consolidators that we have designated or approved. You must purchase certain items of machinery and equipment and other items used in the Franchised Business from our designated or approved consolidators or as we otherwise direct. The designated consolidators will coordinate the ordering and delivery of your machinery and equipment. You may request a waiver of the requirement that you use our designated consolidators if you can demonstrate that you can successfully manage the process of ordering and obtaining your machinery and equipment.

6.2 Architectural Plans.

A. Architectural Requirements. We will provide you with a sample layout for the interior of a typical Business and specifications for furniture, fixtures, equipment, and décor. You must, at your expense and subject to our acceptance, employ architects, designers, and others as necessary to prepare your plans, modify or complete the layouts, renderings, plans, and specifications, which must include interior and exterior elevations of the Accepted Location (the “**Architectural Plans**”). Our acceptance of your architect will not in any way be our endorsement of your architect or render us liable for your architect’s performance or your architect’s compliance with professional design standards or adherence to local codes.

B. Submission of Plans. You must submit to us, by the deadline stated in Section 6.5.B. (Construction Start Deadline), a complete set of final Architectural Plans. We will promptly review the Architectural Plans and will either accept the Architectural Plans or provide comments to you on changes we require. After our initial review of your Architectural Plans at no cost and our review of one revised set of Architectural Plans that incorporate our required changes at no cost, we may charge a fee of \$1,000 for each set of drawings we review that include any other modifications from the plans that we have previously accepted. You may not begin construction of the Franchised Business until we have accepted the final Architectural Plans in writing.

C. Compliance with Legal Requirements. You must, before we approve the Architectural Plans, have your architect or you certify to us that the Architectural Plans comply with the Americans with Disabilities Act (the “**ADA**”), the architectural guidelines under the ADA, and all other federal, state, and local statutes, rules, regulations, ordinances, and codes (collectively, “**Laws**”) that apply to the Franchised Business.

6.3 Construction, Inspection, and Government Approvals. You must begin the construction and equipping of the Franchised Business by the deadline stated in Section 6.5.B. (Construction Start Deadline). You must furnish us with all documents we request related to construction. You must obtain our written approval of any changes to the Architectural Plans before you implement the changes. We must have access to the Franchised Business while work is in progress and on its completion. We may require you to provide photographs of your construction progress periodically from the time you begin construction until the time that we issue our consent to open the Franchised Business. On completion of construction and before the Opening Date, any architect and General Contractor you employ or you must provide us with a certificate stating that the as-built plans for the Franchised Business comply with the ADA, the architectural guidelines under the ADA, and all other Laws that apply to the Business. You must promptly make any modifications we deem necessary to bring the Franchised Business into compliance with the Architectural Plans. You may not open the Franchised Business if it does not conform to the final Architectural Plans and changes we approved. You must promptly seek and obtain before opening the Franchised Business all governmental approvals and licenses required to open and operate the Business.

6.4 Signage. All exterior and interior signage you use for the Franchised Business must conform to our Standards, including our Standards as to type, color, size, design, and location. You must use a sign vendor that we have designated or approved in writing to ensure proper compliance with our Standards. You must obtain our written approval before you install or display any signage.

6.5 Opening and Development Deadlines.

A. Site Approval Deadline. You will have until the deadline stated in Schedule A to (i) identify the Accepted Location, (ii) obtain our acceptance of the Accepted Location, (iii) sign any documentation we require to document the Accepted Location, (iv) obtain our acceptance of a Lease for the Accepted Location, and (v) sign the accepted Lease for the Accepted Location or otherwise acquire the ownership rights to the Accepted Location (the “**Site Approval Deadline**”).

B. Construction Start Deadline. You must (i) submit to us a complete set of final Architectural Plans and (ii) begin the construction and equipping of the Franchised Business by the deadline stated in Schedule A (the “**Construction Start Deadline**”).

C. Opening Deadline. You must open the Franchised Business by the deadline stated in Schedule A (the “**Opening Deadline**”). You must notify us of your proposed Opening Date at least 30 days in advance. We have the right to inspect your Franchised Business and take other measures we deem appropriate to determine whether you are ready to begin operations. You will not begin operations until we authorize you to do so in writing.

D. Failure to Meet Deadlines. If you are unable to meet the Site Approval Deadline, the Construction Start Deadline, or the Opening Deadline, you may request an extension before the expiration of any missed deadline. We have the right to charge you a \$1,500 non-refundable extension fee (“**Extension Fee**”), if we agree to modify (or if you miss) any of the deadlines. We are not obligated to extend any deadlines. If (i) you fail to cure your failure to meet the Site Approval Deadline or the Construction Start Deadline within 30 calendar days after we send you notice of default or (ii) you do not meet the Opening Deadline, we may terminate this Agreement, as provided in Sections 17.2.I and 17.3.J.

7. GOODS AND SERVICES

7.1 Purchases.

A. Goods You Purchase. We have the right to require that Approved Products, other products, Proprietary Ingredients, supplies (including chemicals), furniture, fixtures, equipment, and services (collectively, “**Goods**”) that you purchase for resale or purchase or lease for use in your Franchised Business: (i) meet specifications that we establish from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from suppliers, service providers, distributors, and/or consolidators (collectively, “**Suppliers**”) that we have expressly designated or approved (“**Approved Suppliers**”) (which may include our affiliates or a buying cooperative we or our affiliates organized); (iv) be purchased or leased only from a single source that we designate; and/or (v) be purchased as part of a purchasing program, arrangement, or contract that we negotiate or specify. To the extent that we establish specifications, require approval of Suppliers, or designate Approved Suppliers for particular Goods, we will publish our requirements in the Manuals or otherwise in writing.

B. Suppliers. You must purchase all of your requirements of Proprietary Ingredients, Proprietary Products, and proprietary uniforms, signs, menu boards, smallwares, materials, supplies, paper goods, equipment, and packaging (collectively, the “**Proprietary Goods**”) from our designated Approved Suppliers, which may include us or our affiliates. For all other Goods, we may require you to purchase the Goods from any Approved Suppliers or from particular Approved Suppliers, or we may permit you to purchase the Goods from any Supplier

capable of providing Goods that meet our minimum Standards (to the extent we have specified Standards for the Goods). If you are in default under this Agreement, then any obligations our Approved Suppliers may have to sell you Goods may be suspended in their sole discretion; and you will not, as a result, have a defense at law or equity based on impossibility of your performance or any claim against us or our Approved Suppliers. If our Approved Suppliers are unable to supply you with the quantity and type of Goods you request, we will exert reasonable commercial efforts to allocate, or to cause our Approved Suppliers to allocate, the Goods available on an equitable basis among the Businesses that seek to purchase Goods. You agree that we, our affiliates and our Approved Suppliers will not be liable if we, our affiliates, or our Approved Suppliers are unable to fulfill your requests.

C. Revenue from Purchases. You agree that we and/or our affiliates may derive revenue based on your purchases and leases, including from charging you for Goods our affiliates provide to you and from promotional allowances, volume discounts, and other payments made to us by manufacturers, Suppliers, or third parties. If we, our affiliates, or third parties acting under our direction arrange for manufacturers to sell the Goods directly to our Approved Suppliers to then sell them to you, then we or our affiliates will have the right to receive compensation or other consideration from the manufacturers, Approved Suppliers, and/or third parties for these sales. We and our affiliates may use all amounts received from manufacturers, Suppliers, or third parties, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes we or our affiliates deem appropriate.

7.2 Approved Products. You may offer in the Franchised Business to customers only the Approved Products that we have approved in writing. You must produce and sell all Approved Products we specify, including all menu items and other products and services that we require you to sell, as stated in the Manuals or otherwise, which are all part of the System. We may change these specifications periodically, and we may designate specific Approved Products as optional or mandatory. You must offer all Approved Products that we designate as mandatory. You may not produce or offer any products (i) that we do not authorize you to produce or sell or (ii) that we direct you not to produce or sell. You may sell Approved Products only in the varieties, forms, and packages that we have approved. If we require you to produce any Approved Products, you must strictly follow our Recipes, using only those product components, ingredients, flavoring, and garnishes that meet our then-current Standards. If we require or authorize you to sell alcoholic beverages, you must obtain any necessary permits or licenses. You must maintain a sufficient supply of required Approved Products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

7.3 Approval Process.

A. Review Process. If you would like to offer products or use any Goods that we have not approved or to purchase or lease from a Supplier that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed Supplier's facilities and test samples of the proposed Goods. We may impose a fee to cover our costs of inspecting or testing any item, including expenses to visit the proposed manufacturer's or supplier's production facility, for lab testing, or other direct costs (collectively, "**Alternate Supplier Testing Fee**"), which you must pay us before inspection or testing begins. We have the right to grant, deny, or revoke approval of Goods or Suppliers based solely on our judgment. We will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 90 days after submitting all of the information that we request, our failure to respond will be deemed a

disapproval of the request. You agree that the products and services that we approve for you to offer in your Franchised Business may differ from those that we permit or require to be offered in other Businesses.

B. Requirements for Suppliers. Before we approve a Supplier, we will require the following, among other things: (i) the Supplier must demonstrate that it is able to supply the item to you in accordance with our Standards, including our standards as to the artwork and text on the items; (ii) if the Supplier is to receive access to any of our Confidential Information (defined below), Trade Secrets (defined below), or logos, the Supplier must sign a confidentiality agreement and/or our standard form license agreement we prepare; (iii) the Supplier must demonstrate that it is in good standing in the business community with respect to its financial soundness and the reliability of its products or services; and (iv) the Supplier must sign all agreements we require our suppliers to sign at that time.

7.4 Revocation of Approval. We reserve the right to reinspect the facilities and Goods of any Approved Supplier and to revoke approval of the Goods or Supplier if any fail to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to cease purchasing or leasing the formerly-approved Goods or any Goods from the formerly-approved Supplier and you must dispose of your remaining inventory of the formerly-approved Goods as we direct. If we revoke approval of a formerly-approved Approved Product that you have been selling to customers or service that you have been offering to customers, you must immediately discontinue offering the service and may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the 30-day period, or any shorter period that we designate, you must dispose of your remaining formerly-approved inventory as we direct.

7.5 Limitations. You may only engage in the sale of Approved Products under the System from the Franchised Business to the ultimate consumer. You may not offer for sale, sell, supply for resale, or deliver any Goods to a third party other than the ultimate consumer at the Franchised Business without our prior written consent. Unless otherwise permitted by us in writing, you may not sell any Goods through the Internet or using any other channel of distribution other than your Franchised Business. You may not use the Franchised Business or the premises of the Franchised Business to produce or sell any goods, products, or services other than Approved Products sold using the Marks. In particular, you may not operate a ghost kitchen or delivery business selling goods, products, or services under another brand.

7.6 Test Marketing. We may from time to time conduct test marketing to determine consumer trends and the salability of new food or non-food products and services. You will participate in any test marketing we require by providing us with timely reports and other relevant information as we request. In connection with test marketing, you will purchase for the Franchised Business the reasonable quantity of test products we specify and will use your best efforts to promote and sell test products.

7.7 Disclaimer of Warranties. **WE AND OUR AFFILIATES EXPRESSLY EXCLUDE AND DISCLAIM ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ALL GOODS THAT WE OR OUR AFFILIATES OFFER, SELL, OR REQUIRE FOR YOUR FRANCHISED BUSINESS (COLLECTIVELY, "SOURCED PRODUCTS"). YOUR EXCLUSIVE REMEDY AND OUR AND OUR AFFILIATES' EXCLUSIVE LIABILITY FOR ALL CLAIMS RELATED TO ANY SOURCED PRODUCTS IS (I) LIMITED TO YOUR REMEDIES AGAINST THE GIVEN THIRD PARTY SUPPLIER OR**

MANUFACTURER (WHICH WILL NOT INCLUDE OUR AFFILIATES) FOR ANY OF THE SOURCED PRODUCTS THEY PROVIDE; AND (II) FOR ANY OF THE SOURCED PRODUCTS THAT WE OR OUR AFFILIATES PROVIDE, LIMITED TO THE PURCHASE PRICE OF THE SOURCED PRODUCTS, PLUS SHIPPING COSTS, IF ANY, YOU PAID; OR, AT OUR OR OUR AFFILIATES' OPTION, THE REPLACEMENT OF THE SOURCED PRODUCTS. WE AND OUR AFFILIATES WILL NOT BE LIABLE FOR SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL, MULTIPLIED, EXEMPLARY, OR PUNITIVE DAMAGES FOR ANY MATTER STATED IN THIS SECTION 7 (GOODS AND SERVICES), REGARDLESS OF THE DIRECT OR INDIRECT CAUSE OF THE DAMAGES. This disclaimer of warranties does not affect any claims you may have against third party manufacturers or Suppliers of any Sourced Products.

8. COMPLIANCE WITH THE SYSTEM AND MANUALS

8.1 Manuals. We will grant you electronic or other access to, the Manuals during the Term. We may provide the Manuals, and any Supplements to the Manuals (defined below), to you in hard copy or electronically by applications for mobile devices, DVD, intranet, other storage media, electronic mail, video, the Internet, or other electronic formats. If any content of the Manuals conflicts with the terms of this Agreement, this Agreement will control. You may be required to pay a license fee to use the software necessary to access the Manuals.

8.2 Compliance with the System. You agree that: (i) every component of the System is vital to us, to your Franchised Business, and to the Businesses our other franchisees operate; and (ii) your compliance with the System is of the essence to this Agreement. You therefore agree that you will conduct all activities and operations of your Franchised Business in strict compliance with the System, including the Standards and the Manuals, as though specifically stated in this Agreement. You must promptly address any customer complaints in accordance with our Standards as stated in the Manuals.

8.3 Changes to the Standards and the Manuals. We may make additions to, deletions from, and modifications to the Manuals ("**Supplements**") or Standards from time to time in any form or fashion, including (i) altering the Approved Products, accounting and computer systems, forms, policies, and procedures of the System; (ii) adding, modifying, or substituting the equipment, signs, trade dress, and other Business characteristics that you must use or display (subject to the limitations stated in this Agreement); (iii) implementing new programs and policies, which may require you to incur additional expenses, purchase new equipment or supplies, or pay additional reasonable fees; and (iv) changing, improving, modifying, or substituting for the Marks. We will communicate changes in the Standards or the Manuals in writing or electronically to you, as we deem appropriate. You must immediately adopt and use any Supplements to the Manuals. All Supplements to the Manuals are binding on you as if they were part of the Manuals previously provided to you. It is your responsibility to monitor for Supplements to the Manuals and maintain a current and up-to-date copy of the Manuals at your Franchised Business at all times. If there is any dispute as to your compliance with the Manuals, then the master copy of the Manuals we maintain will control. All references in this Agreement or otherwise to the Manuals will include all Supplements to the Manuals. You agree that changes in the Standards or Manuals may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs.

8.4 Variances. You agree that complete uniformity under many varying geographic and other conditions, and over extended spans of time, is not practical and may be detrimental to the System, and that as a result: (i) we may vary the Standards for any franchisee as we deem necessary; (ii) we may grant franchises using the System under terms that may differ materially

from the terms of this Agreement; and (iii) our obligations and rights with respect to our various franchisees may differ materially from our obligations and rights with respect to you, without in any way affecting our rights with respect to you. You will have no right to require that we disclose any variation to you or that we grant you the same or a similar variation.

8.5 Ownership. You agree that we own all proprietary rights in and to the System and the Manuals. The Manuals will at all times remain our property and you and all your directors, officers, shareholders, partners, members, managers, employees, agents, independent contractors, and others who gain access to the Manuals and the information in the Manuals will treat the Manuals and the information in the Manuals as our Confidential Information (defined below).

8.6 Guest Relations. You must promptly address any guest contact requests that we send to you or customer complaints in accordance with our Standards.

9. INTELLECTUAL PROPERTY

9.1 Marks.

C. Acknowledgements. You agree that we or our affiliates are the owner of the Marks, that you have no interest in the Marks beyond the non-exclusive license granted in this Agreement, and that, as between us and you, we have the exclusive right and interest in and to the Marks and the goodwill associated with and symbolized by them. On the expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under this Agreement.

D. Rights. Your right to use the Marks applies only to the Franchised Business operated at the Accepted Location as stated in this Agreement, including advertising related to the Franchised Business. You may only use in your Franchised Business the Marks we designate, and only in compliance with written rules that we prescribe from time to time. You may not use any Mark or any words or designations similar to the Marks (i) as part of any corporate or legal business name, (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (iii) in selling any unauthorized services or products, (iv) as part of any domain name, electronic address, metatag, search engine keyword, social media account, or otherwise in connection with any website or other electronic medium without our consent, or (v) in any other manner we have not expressly authorized in writing. You may not use any materials on which any of the Marks appears without our prior written approval, which may be revoked at any time on reasonable notice to you. You must display the Marks in a manner that we specify on signage at the Franchised Business and on forms, advertising, supplies, employee uniforms, business cards, and other materials we designate.

9.2 Copyrights. You agree that as between you and us, all present or future copyrights relating to the System or the Business concept, including the Manuals (including the Supplements); the Recipes; our building designs, architectural renderings, and construction plans; and certain forms, advertisements, images, art, photography, promotional materials, and other written materials that we produce (collectively, the “**Copyrights**”) belong solely and exclusively to us or our affiliates. You have no interest in the Copyrights beyond the non-exclusive license granted in this Agreement. Your use of the Copyrights inures to our benefit.

9.3 No Contesting Our Rights. During the Term and after its expiration or termination, you agree not to directly or indirectly contest our or our affiliates' ownership, title, right or interest in or to, or our license to use, or the validity of, (i) the Marks, (ii) the Copyrights, (iii) the Recipes, or (iv) any Trade Secrets (defined below), methods, or procedures that are part of the System (collectively, the **"Intellectual Property"**), or contest our sole right to register, use, or license others to use the Intellectual Property.

9.4 Changes to the Intellectual Property. We have the right, on reasonable notice, to change, discontinue, or substitute for any of the Intellectual Property and to adopt entirely different or new Intellectual Property for use with the System without any liability to you, in our sole discretion. You agree to implement any required change at your own expense within the time we reasonably specify.

9.5 Third-Party Challenges. You agree to notify us promptly of any unauthorized use of the Intellectual Property of which you have knowledge. You also agree to inform us promptly of any challenge by any person or Entity to the validity of our ownership of or our right to license others to use any of the Intellectual Property. We agree to protect and defend you against any suit filed or demand made against you challenging the validity of the Intellectual Property (an **"IP Claim"**), and to defend and indemnify you against your loss, cost, or expense related to the IP Claim, except where the IP Claim arose because you used the Intellectual Property in violation of this Agreement. We will initiate, direct, and control any litigation or administrative proceeding relating to the Intellectual Property, including any settlement. We will be entitled to retain all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any action. You agree to sign all documents and, render any other assistance we may deem necessary to any proceeding or any effort to maintain the continued validity and enforceability of the Intellectual Property.

9.6 Post-Termination or Expiration. On the expiration or termination of this Agreement for any reason, all of your rights to use the Intellectual Property will automatically revert to us without cost and without the execution or delivery of any document. On our request, you will sign all documents that we require to confirm the- reversion.

9.7 Innovations. All ideas, concepts, techniques, or materials relating to a Business or the System or derivations or modifications of the Intellectual Property or any other element of the System (collectively, **"Innovations"**), whether or not protectable intellectual property and whether created by or for you or your Owners, employees, or contractors, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System and the Intellectual Property, and works made-for-hire for us. To the extent any Innovation does not qualify as a work made-for-hire for us, by this Section you assign ownership of that Innovation, and all related rights to that Innovation, to us and agree to sign (and to cause your Owners, employees, and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. We and our affiliates have no obligation to make any payments to you or any other person with respect to any Innovations. You may not use any Innovation in operating the Franchised Business or otherwise without our prior approval.

10. ADVERTISING AND PROMOTION

10.1 Local Advertising, Marketing and Promotion.

A. Advertising Standards. Except as otherwise provided in the Manuals, you may use only Advertising and Promotional Content that we have furnished or approved in writing in advance. “**Advertising and Promotional Content**” includes all advertising, marketing, promotional, customer relationship management, public relations, and other brand-related programs, materials, and content relating to the Franchised Business, the Proprietary Marks, or the Approved Products, including (i) any branded materials (such as business cards, signs, counter cards, banners, posters, displays, window clings, and in-store messaging), (ii) press releases, (iii) printed materials (such as leaflets, direct mail materials, coupons, and published advertisements), (iv) promotional items (such as branded specialty and novelty items, products, and clothing), (v) audio or video advertising (such as radio, television, or podcast ads or online video postings), and (vi) Digital Marketing (as defined in Section 10.2 (Digital Marketing)). You must ensure that all Advertising and Promotional Content that you or your agents or representatives develop or implement related to the Franchised Business is (a) clear, factual, ethical, and not misleading, (b) complies with all Laws, and (c) conforms to our Standards and the advertising and marketing policies that we periodically specify.

B. Submission and Review of Proposed Content. Except as otherwise provided in the Manuals and for Advertising and Promotional Content that we furnish to you, you must submit to us for our written approval, before use, copies of all proposed Advertising and Promotional Content that you intend to use or implement. We have the right to approve or disapprove any Advertising and Promotional Content, as well as the media in which you intend to use them, in our sole discretion. We reserve the right to require you to discontinue the use of any Advertising and Promotional Content for any reason.

C. Grand Opening Fee. By no later than the date that you sign the Lease for the Franchise Business, you must pay to us, without offset, credit or deduction of any nature, a non-refundable Grand Opening Fee as stated in Schedule A, which we will spend within 90 days of opening on pre-opening and opening marketing and promotional materials. We are not required to obtain your prior approval before spending, or committing to spend, any portion of the Grand Opening Fee. Within 180 days after the Opening Date, we will present you with a written accounting of the specific expenditures. You are not responsible for any expenses above the Grand Opening Fee that we incur on the grand opening advertising program for your Franchised Business, unless we have obtained your prior written consent to the additional expenses above the Grand Opening Fee. Our right to prepare the grand opening program for your Franchised Business will not interfere with your right to determine the prices at which you sell all Authorized Products and services from your Franchised Business. The Grand Opening Fee is in addition to your Marketing Fee and any local advertising obligations you may have.

D. Participation in Promotions. From time to time, we or your Advertising Cooperative (if any) may establish temporary or permanent promotional campaigns (e.g., limited time offers, gift cards, coupons, loyalty programs, customer relationship management, and other supplemental marketing programs) applicable to the System as a whole or to specific advertising market areas. You must participate in these promotional programs at your own cost, including the costs to purchase, lease and install all materials necessary to the promotional campaigns, including counter cards, posters, banners, signs, photographs, give-away items, and gift cards.

E. Local Marketing Obligation.

(i) Local Marketing. Unless otherwise stated in Schedule A, you must aggressively advertise, market, and promote your Franchised Business locally in accordance with our Standards and must spend a reasonable amount each calendar quarter for local market advertising. If we require you to spend a minimum amount on local market advertising, we will specify the minimum amount in Schedule A (the “**Local Marketing Obligation**”) and, on our request, require you to submit for our written approval an annual local marketing plan. We may change the Local Marketing Obligation, provided that we must give you at least 60 days’ written notice of the change. Your Local Marketing Obligation is in addition to amounts you must pay or spend under Section 3.2.B (Marketing Fee) and for the Grand Opening Fee under Section 10.1.C. (Grand Opening Fee). You are responsible for determining the amount of advertising funds you spend for individual local market advertising, subject to the Local Marketing Obligation (if any) and our approval of your annual local marketing plan, if applicable.

(ii) Compliance with the Local Marketing Obligation. Any contributions that you make to an Advertising Cooperative (if one exists) may be counted towards your Local Marketing Obligation. The following expenditures or costs will not count towards your Local Marketing Obligation: salaries, donations, press parties, in-store fixtures or equipment, menus, serving guides and nutritional facts, yellow page advertising, exterior or interior signage, and incentive programs, including costs of honoring coupons and food costs incurred in honoring sales promotions. We have the right to require you to provide documentation that demonstrates your compliance with the Local Marketing Obligation. If you fail to make advertising expenditures in accordance with this Section, we have the right to spend an amount not to exceed your Local Marketing Obligation on local advertising for you, and you must reimburse us for these expenses. Your failure to comply with this Section 10.1.E. is a material breach of this Agreement.

(iii) Payment to Us. We have the right on written notice to you to require you to pay all or a portion of the Local Marketing Obligation to us for us to, in our sole discretion, (a) contribute to the Ad Fund (as defined in Section 10.3.A. (Contributions to Ad Fund)), (b) spend on national, regional, or local advertising campaigns, (c) contribute to the Advertising Cooperative (as defined in Section 10.4.A. (Participation)) in your market, or (d) spend on local advertising in your market. If we exercise our right to collect your entire Local Marketing Obligation (and not just a portion of it), you will not be required to (x) spend a minimum amount on local advertising (other than your Grand Opening Fee), (y) provide a local marketing plan, or (z) participate in, or contribute to, your Advertising Cooperative. We are not obligated to ensure that the Local Marketing Obligation monies that we spend are proportionate or equivalent to your contributions or that the Franchised Business will benefit directly or pro rata or in any amount from the placement of advertising.

10.2 Digital Marketing.

A. Restrictions. We or our affiliates, in our sole discretion, may establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, Snapchat, TikTok, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, online videos, display banner campaigns, branded content social media campaigns, e-mail marketing campaigns, or other means of digital advertising on the Internet or any other means of digital or electronic communications (collectively, “**Digital Marketing**”) that are intended to promote the Marks, your Franchised Business, and the entire network of Businesses. We have the sole right to control all aspects of any Digital Marketing, including those

related to your Franchised Business.

B. Digital Marketing By You. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or that relate to the Franchised Business. If we do permit you to conduct any Digital Marketing, you must (i) comply with any Standards or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with our Standards or content requirements, (ii) only use materials that we have approved and must submit any proposed modifications to us for our approval, (iii) not use any Mark on any aspect of the Digital Marketing (including in any domain name, address, or account) except as we expressly permit, (iv) include any information that we require, and (v) include only the links that we approve or require. We retain the right to pre-approve your use of linking and framing between any Digital Marketing that you conduct and all other websites. If we consent to your use of the Marks (or words or designations similar to the Marks) in any domain name, electronic address, website, or other source identifier, we may register the names, addresses, websites, or identifiers and then license use of the registered item back to you under a separate agreement. You must pay all costs due for registration, maintenance, and renewal of any such names, addresses, websites, or identifiers that we approve and maintain on your behalf. We retain the ownership of Copyright to any of the materials that you may develop for use on the Internet. We may withdraw our approval for any Digital Marketing at any time.

10.3 Advertising Fund.

A. Contributions to Ad Fund. We will allocate your Marketing Fees to a fund for the advertising and promotion of the Businesses, the Marks, and the System (the “**Ad Fund**”). If we operate any Businesses, our Businesses will contribute to the Ad Fund in the same manner as similarly-situated Franchised Businesses. You agree that our other franchisees may not be required to contribute to the Ad Fund, may be required to contribute to the Ad Fund at a different rate than you or may be required to contribute to a different advertising fund.

B. Management of Ad Fund. You agree that: (i) we need not maintain the Ad Fund, your Marketing Fees, or income earned from contributions to the Ad Fund in a separate account from our other funds; (ii) we are not a fiduciary with respect to your Marketing Fees or the Ad Fund; and (iii) the Ad Fund is not a “trust.” We are not required to have an independent audit of the Ad Fund completed. We will provide you with an annual summary of the expenditures of the Advertising Fund on your reasonable request. If any monies in the Ad Fund remain at the end of a fiscal year, they will carry-over in the Ad Fund into the next fiscal year. We may treat any amounts that we contribute to the Ad Fund in excess of our required contributions for Businesses that we operate and any spending on advertising that we make in excess of the amounts then available in the Ad Fund as a loan from us to the Ad Fund. We have the right to be reimbursed from the Ad Fund any amounts that we loan to the Ad Fund.

C. Use of Ad Fund. We will administer the Ad Fund. We have sole authority to direct all advertising programs and promotions and uses of the Ad Fund, with sole control over the creative concepts, materials, and media used in the programs, and the placement and allocation of advertising. We reserve the right to use any media, create any programs, and allocate advertising and promotional expenditures to any regions or locales we deem appropriate. We may use the Ad Fund to meet the costs of administering, preparing, and conducting national, local, or regional advertising, promotional, or brand building programs of any kind, including the cost of (i) preparing and conducting television, radio, magazine, newspaper, and digital advertising campaigns and other public relations activities (including for purposes of brand reputation

management), (ii) employing public relations firms and advertising agencies to assist in these activities, and (iii) conducting other activities that are directly or indirectly designed to promote the System, its franchisees, and/or increase System sales, such as limited-time menu offerings, crew incentives, franchisee incentive and/or promotional programs, customized materials (e.g., cups), up-sell programs, guest response programs, manager/employee recognition programs, quality assurance and food safety programs, mystery shop and shopper programs, brand websites and ordering platforms, brand applications, social media account administration and promotion, and in-store equipment and technologies related to the marketing programs. We may use the Ad Fund to compensate us for the reasonable administrative costs and overhead we incur in activities related to advertising and promotional programs, including new product development; market research; preparing advertising and promotional materials; Digital Marketing; working with public relations firms, advertising agencies, advertising placement services, and creative talent; reimbursing franchisee advisory council meeting expenses; developing and maintaining, and paying third parties for the development and maintenance of, websites, applications, and other equipment and technologies related to marketing programs. We will not spend the Ad Fund in a manner that (i) exclusively benefits our licensees that manufacture and sell products bearing the Marks, if any, or (ii) is principally a solicitation for the sale of franchises.

D. No Proportionate Benefit; No Right to Withhold Contribution. The advertising and promotions that we conduct are intended to maximize general public recognition and patronage of the System generally in the manner that we determine to be most effective. We are not obligated to ensure that the expenditures from the Ad Fund are proportionate or equivalent to your contributions or that the Franchised Business will benefit directly or pro rata or in any amount from the placement of advertising. You will spend and/or contribute all Marketing Fees, including the Marketing Fee, provided for in this Agreement without reduction regardless of your perceived benefit to the Franchised Business or the amount of contribution by other franchisees operating Businesses or the default of these advertising obligations by any other franchisees.

10.4 Advertising Cooperatives.

A. Participation. You will participate, if we require, in any local, regional, or national cooperative advertising group consisting of other Businesses (an “**Advertising Cooperative**”) that we specify, when and if any of these groups are created. We will designate the particular Advertising Cooperative(s) in which you may be required to participate (which designations may be based on, without limitation, the particular Designated Market Area or the Area of Dominant Influence, as those terms are used in the advertising industry, where your Franchised Business is located). If we collect the entire Local Marketing Obligation, we will not require you to participate in an Advertising Cooperative. You will enter into any formal agreements with the other franchisees of the System and/or us, as the case may be, as necessary or appropriate to accomplish the goals of this Section 10.4 and you must abide by the formal agreements and decisions that we authorize the Advertising Cooperative to make on advertising and marketing in the area covered by the Advertising Cooperative.

B. Payments. Your payments to any Advertising Cooperative will be up to 2% of Net Sales, determined by you and those other franchisees and/or us, as the case may be, who are participants in the Advertising Cooperative, as stated in the by-laws of that Advertising Cooperative or membership, dues, participation, or other payment agreements of the Advertising Cooperative. Amounts paid to an Advertising Cooperative will be credited against your Local Marketing Obligation as stated in Section 10.1.E. (Local Marketing Obligation). Any contributions that you make to an Advertising Cooperative are additional to your Marketing Fee as stated in Section 3.2.B. (Marketing Fee) and your Grand Opening Fee as stated in Section 10.1.C. (Grand

Opening Fee). If you become delinquent in your dues or other payments to the Advertising Cooperative or fail to abide by any formal agreements or authorized decisions of the Advertising Cooperative, the delinquency or failure is deemed a failure to participate in the Advertising Cooperative and a material breach of this Agreement.

C. Operations of Advertising Cooperative. We may require any Advertising Cooperatives to only use public relations firms and advertising agencies that are Approved Suppliers. All proposed advertising and promotional materials produced by, or on behalf of, Advertising Cooperatives must be submitted to us for our written approval before use. We may on 30 days' written notice to you suspend or terminate an Advertising Cooperative's program or operations. As a member, officer or director of an Advertising Cooperative, at our request, you will provide to us all information we request related to the Advertising Cooperative and you must provide this information within 10 days after our request to you.

10.5 Our Advertising Materials. We may periodically formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in any form and media we determine to be most effective. We may make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We or our affiliates will retain all copyrights relating to these advertising materials.

11. TRAINING AND SUPPORT

11.1 Management Training Program.

A. Required Trainees. The required trainees that we designate on Schedule A (collectively, "**Required Trainees**") must attend and successfully complete the initial management training program for Businesses (the "**Management Training Program**"). All trainees must be over the age of 18 years and must meet any minimum experience requirements that we specify. In addition, we may, in our sole discretion, require your Primary Contact, if they will not be involved in the day-to-day operation of the Franchised Business, to complete a limited version of the Management Training Program to our satisfaction. If any of your Required Trainees have previously attended and successfully completed our Management Training Program and you or they have not defaulted under any other franchise agreement with us, we may, in our sole discretion, determine that that Required Trainee is not required to attend the Management Training Program again or will be required to attend a modified Management Training Program.

B. Training Fees. Except as otherwise provided in Schedule A and this Section 11.1.B., we will provide the Management Training Program at no additional charge for any Required Trainees. We reserve the right to charge you a reasonable training fee if (i) you elect to bring additional trainees, other than the Required Trainees, to the Management Training Program, (ii) your Required Trainees are trained in separate sessions, or (iii) we provide the Management Training Program to your Subsequent Trainees (as defined in Section 11.F. (Subsequent Trainees)).

C. Attending Training. We will provide, or designate other parties to provide on our behalf, the Management Training Program periodically and permit you to register for an available program. Training programs are subject to space and time availability. All or certain portions of the Management Training Program may, in our discretion, be conducted online or in person at our corporate headquarters and/or other locations we authorize (which may include locations operated by other franchisees). Your trainees may not attend the Management Training Program until (i) you have provided us with your fully signed Lease (if required) in a form that we

have approved, (ii) your Franchised Business is under construction, and (iii) you have provided us with evidence of the insurance that is required under your Franchise Agreement.

D. Completion of Training. All of your Required Trainees must successfully complete our Management Training Program before they may be involved in the operation of your Franchised Business. A minimum number of Required Trainees, as stated in Schedule A, must successfully complete the Management Training Program by the deadline stated in Schedule A. We have the right in our reasonable discretion to determine whether a trainee has successfully completed the Management Training Program. If we conclude that a Required Trainee has failed to successfully complete the Management Training Program, that Required Trainee must re-enroll in our next scheduled applicable Management Training Program at the then-current charge for this training. We have the right to terminate this Agreement if, following the Management Training Program and re-enrollment training, if any, the minimum number of Required Trainees have not successfully completed the Management Training Program.

E. Training of You by Franchisees. We may, in our sole discretion, authorize certain franchisees to provide on our behalf all or portions of the Management Training Program in accordance with our Standards, provided these franchisees (i) have a Certified Training Manager (as defined below), (ii) operate a Certified Training Business (as defined below), and (iii) meet other requirements that we specify. If we require or permit you to receive portions of the Management Training Program from another franchisee, we may require you to sign an agreement with the other franchisee regarding the training program.

F. Subsequent Trainees. Any Managers, Primary Contacts, Directors of Operations (as defined in Section 12.7.B. (Directors of Operations)) that you hire or appoint after the opening of the Franchised Business and any other persons we designate ("**Subsequent Trainees**") must attend and successfully complete our Management Training Program (or a modified version that we prescribe) before becoming involved in the operation of your Franchised Business. We may require employees that transfer to your Franchised Business from another Business to successfully complete the Management Training Program again. We also may require you to send or resend your Managers (as defined below) or employees to the Management Training Program, and require them to successfully complete it, if we have identified operational or performance issues at your Franchised Business. We reserve the right to charge you a reasonable training fee for each Subsequent Trainee that attends a Management Training Program.

G. Training By You.

(i) Management Training. If you and your affiliates collectively operate 2 or more Franchised Businesses, we may, in our sole discretion, require or permit you or your affiliates to provide the Management Training Program to your Required Trainees or Subsequent Trainees.

(ii) Certification Required. If we require or permit you or your affiliates to provide the Management Training Program to your trainees, before you or they may do so, one or more of your or their Franchised Businesses must be certified by us as an authorized training facility (a "**Certified Training Business**") and one or more of your or their Managers must be certified by us as a trainer authorized to provide our Management Training Program to your trainees (a "**Certified Training Manager**"). To be designated as a Certified Training Manager, a Manager must (a) complete our Management Training Program at least 6 months before applying for certification, (b) maintain specific food safety programs, (c) attend any required additional

training program, and (d) meet other qualifications that we may specify from time to time. To be designated as a Certified Training Business, a Franchised Business must (1) meet compliance scores that we specify, (2) fully comply with our then-current Standards, (3) employ the minimum number of Managers stated in Section 12.7 (Your Participation; Manager), in addition to the Certified Training Manager, and (4) meet any other requirements that we specify from time to time. We may, in our sole discretion and at any time, (x) grant, withhold, or revoke certification for a Certified Training Business or a Certified Training Manager or (y) change the minimum requirements for certification of a Certified Training Business or a Certified Training Manager. We may require Certified Training Managers to be recertified if they transfer from one Franchised Business to another, if they no longer meet our then-current requirements, or annually. If a Certified Training Manager ceases to be a Manager of a Certified Training Business or has their certification revoked, the Franchised Business must be re-certified as a Certified Training Business before offering training again.

(iii) Provision of Training. If we certify a Certified Training Business and Certified Training Manager, that Certified Training Manager must provide the Management Training Program at a Certified Training Business in accordance with our Standards for the training. If we withhold or revoke certification of your Certified Training Business, we may require your trainees to attend the Management Training Program at another location that we designate and may charge our then-current training fee (if any) for the training.

11.2 On-Site Training. Except as may be stated on Schedule A, we are not required to provide any on-site training or consultation at the site of your Franchised Business (the “**On-Site Training**”). You may request that we provide you with On-Site Training. We may agree to provide On-Site Training but will not be obligated to do so. We also may, in our sole discretion, require that you obtain On-Site Training at any time, including in the days or weeks before and/or after your Opening Date and/or if you fail to comply with the System and Standards. We may charge you a reasonable fee for On-Site Training, which may include a daily or hourly fee for each of our trainers and reimbursement for their travel and living expenses (including airfare, car expenses, lodging, meals, etc.) during the On-Site Training.

11.3 Additional Programs. We may, from time to time, conduct conferences, conventions, programs, webinars, teleconferences, or additional or refresher training sessions on any matters related to the System (“**Additional Programs**”). We will determine the duration, curriculum, and location of Additional Programs, which may take the form of web-based training modules, webinars, seminars, in-person training, or on-site training. Your Required Trainees, Primary Contact, Owners, and other personnel we designate must attend any Additional Programs that we require. We may charge you a reasonable fee for your trainees to attend any Additional Program.

11.4 Other Training Terms.

A. Modifications. We reserve the right to modify our Management Training Program, Additional Programs, or any other training programs at any time, including the timing, frequency, content, format, and location of training.

B. Training Platform. We may require you to purchase or license from us, our affiliates, or Approved Suppliers any training platform and equipment necessary to use or access the training materials.

C. Expenses and Compensation. You must pay all expenses you and your personnel incur for any training programs, including your/their travel, food, lodging, compensation, and benefit expenses. We will not pay any compensation for any services you and your personnel perform in any training program. You must purchase uniforms for any of your trainees that attend our Management Training Program.

D. Cancellation Fee. If you or your trainees fail to cancel any scheduled training without at least 14 days' prior notice, or if you or your trainees are not prepared to successfully participate in any scheduled training, we may charge you the cost of conducting the originally scheduled training (including any training fees and any travel and living expenses our representatives incurred) and you may have to pay an additional fee for the rescheduled training.

11.5 Additional Consulting Services. After you open your Franchised Business, we may furnish you with support services as we deem appropriate. We also may offer you additional consulting or support services, including On-Site Training and remote support, that are greater in scope than our standard support services. We may charge you a reasonable fee for these services which may include a daily or hourly fee for each of our representatives and, for On-Site Training, reimbursement for their travel and living expenses (including airfare, car expenses, lodging, meals, etc.). Additional consulting or support services are subject to availability and are offered in our sole discretion.

12. YOUR OBLIGATIONS

The following obligations are in addition to your other obligations in this Agreement:

12.1 Compliance with Laws. You must operate the Franchised Business in compliance with all applicable Laws, including all Laws related to labor, health, and safety. You must promptly furnish to us copies of all fire, health, or other inspection reports, warnings, certificates, and ratings issued by any government agency, and must immediately provide us with any items that assert any failure to comply strictly with any Law. If required by the jurisdiction where the Franchised Business is located, you must file for and maintain a Certificate of Fictitious Name that includes the Primary Mark. You also must comply with (a) all applicable contractual requirements (e.g., PCI-DSS), Laws, or standards, or any equivalent thereof, relating to the collection, use, and security of personal information and (b) any privacy policies or data protection and breach response policies we periodically establish, including those stated in Section 12.3 (Data Breach Notification).

12.2 Compliance with Electronic Payment Standards. You must abide by: (a) the Payment Card Industry Data Security Standards ("**PCI-DSS**") enacted by the applicable Card Associations (as they are modified from time to time or as successor standards are adopted); (b) the Fair and Accurate Credit Transactions Act ("**FACTA**"); and (c) all other standards, laws, rules, regulations or any equivalent thereof applicable to electronic payments that may be published from time to time by payment card companies and applicable to electronic payments ("**Electronic Payment Requirements**"). You must use vendors (and we may require you to use one or more Approved Suppliers that we designate) to provide security services that are consistent with PCI-DSS, FACTA, and applicable Electronic Payment Requirements. We currently require you to use a managed firewall, conduct a quarterly network scan, maintain anti-virus/anti-malware software, and use managed Wi-Fi, but we may modify from time to time the specific security measures that you must maintain. We require that you submit annually proof of your PCI-DSS compliance status, and we may require you to provide evidence of compliance with FACTA or applicable Electronic Payment Requirements on our request. We may require you to use vendors or Approved

Suppliers to conduct periodic security audits to ensure that personal data is adequately protected. We may require you to provide, or make available, to us copies of any audits, scanning results, or related documentation relating to compliance or audits. We may charge a reasonable fee for us to review your systems and verify your compliance with these requirements. If you suspect or know of a security breach, you must immediately give us notice of the security breach and promptly identify and remediate the source of any compromise or security breach at your expense. You assume all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transactions concerning customers of the Franchised Business.

12.3 Data Breach Notification. If you learn of an incident that may be a “breach of the security of the system” under Cal. Civ. Code § 1798.82 or any other data breach notification Law, you must immediately notify us of the facts that are known about the incident (a “**Data Breach**”). Although you are responsible for complying with all data breach notification Laws and standards applicable to your organization, we expect that you will coordinate with us regarding these incidents where notification to individuals is required before individuals are notified so that we can be aware of and be prepared to address issues that may affect the System and be in a position to support you where possible. In an actual or suspected Data Breach, you grant us and our designees and agents the right, exercisable in our sole and absolute discretion, to conduct an investigation of the incident and to install, run, and maintain any hardware, software, or code on your Computer System or in your computer network necessary or advisable to facilitate the investigation and to contain and remediate the incident, and you agree to cooperate with us and to provide us with any access and information we reasonably request for those purposes. Nothing in the preceding sentence relieves you of your obligation to comply with applicable laws, regulations, rules, standards or any equivalent thereof concerning an actual or suspected Data Breach. You are responsible for any costs or financial losses you incur or remedial actions that you must take as a result of an actual or suspected Data Breach.

12.4 Failure to Comply with Laws or Standards.

A. **Suspension of Operations.** If: (i) any Approved Product you produce or sell evidences dilution or adulteration from the Standards; (ii) any Approved Product you produce or sell is contaminated or is otherwise in violation of applicable Law; (iii) you fail to maintain the Franchised Business in compliance with applicable Law; or (iv) your Franchised Business or Approved Products pose a threat to the health or safety of the public, you must immediately suspend operations, search out and destroy any adulterated, diluted, or contaminated Approved Products, eliminate their source, and remedy all unsanitary, unsafe, or otherwise hazardous conditions present. You may not resume operation of the Franchised Business until our laboratory analysis of your Approved Products or inspection of your Franchised Business, as applicable, demonstrates compliance with all applicable Laws and Standards. You must promptly implement any remedial measures we require to cure the default. If we conclude through any examination, analysis, and/or inspection that the Approved Products have been adulterated in any way or that your Franchised Business is not in compliance with applicable Laws, you must, on demand, reimburse us for all reasonable expenses connected with any examination, analysis, or inspection under this Agreement (including reasonable product analysis fees).

B. **Additional Remedies.** If: (i) we determine that a violation of Section 12.4.A. (Suspension of Operations) has occurred and that you have committed a similar violation within the one-year before the date of the inspection or analysis; (ii) you fail or refuse to comply with any of the remedial measures we require; (iii) you fail to provide us with full cooperation in the course of any inspection or analysis we conduct; or (iv) we determine that there has been any repetition

during the Term of any occurrence under Section 12.4.A., then you will pay us a fee for the inspection or analysis of \$5,000; plus the travel and living expenses of our inspectors or representatives and any other expenses we incur in connection with this Section, including our attorneys' fees.

C. Remedies Not Exclusive. The remedies in this Section 12.4 are in addition to, and not in substitution of, any other remedies in this Section 12.4 or elsewhere in this Agreement. Nothing in this Section 12.4 limits any of our rights under Section 17 (Default and Termination), including the right to terminate this Agreement.

D. Non-Compliance Fees. If you fail to comply with any of the Standards or any provision of this Agreement, in addition to any other remedies we are entitled to, we reserve the right to charge you one or more non-compliance fees on written notice to you. The non-compliance fees will be as stated in our then-current FDD and may be charged repeatedly (as frequently as daily) if the non-compliance is ongoing, and may vary based on the severity of the defaults, the number of the defaults, and whether the defaults have been repeated.

12.5 Continuing Maintenance. You agree that it is in your best interest, and in the best interests of the franchise network, that your Franchised Business be clean, up-to-date, well-maintained, and well-appointed. You must continuously maintain the interior and exterior of the Franchised Business (including the parking lot, walkways, and landscaping that is part of the Accepted Location), and all furniture, fixtures, equipment, décor, and signage in or at the Franchised Business, in the highest degree of cleanliness, orderliness, sanitation, and repair in accordance with all applicable Laws and Standards. You agree, at your expense and at intervals that we may periodically designate, as needed, or at our direction, to promptly take the following continuing maintenance actions throughout the Term: (i) thorough cleaning (which may include professional cleaning), (ii) subscribe to a monthly pest control service from a licensed pest control company, (iii) repainting and making minor alterations to the décor of the interior and exterior of the Franchised Business; (iv) interior and exterior repair of the Franchised Business; and (v) repair or replacement of damaged, worn-out, malfunctioning, non-functioning, or obsolete furniture, fixtures, equipment, décor, and signage. You may not make any material alteration to the interior or exterior of the Franchised Business without our prior written consent. While your failure to repair or maintain your property or correct any unauthorized variance from the requirements of the System is a default, we may, without waiving our right to terminate this Agreement for this reason, repair or correct the cited non-conformance. We have no liability to you for the work performed. To the extent we elect to perform required repair or maintenance work, we will invoice you for labor and materials and all associated costs to complete the work, and you must pay all expenses billed on receipt of invoice, together with a 15% service charge and reimbursement of our actual direct costs to perform and inspect the work, including (without limitation) transportation, hotel, meals, contractors and other personnel expenses.

12.6 Refreshes and Remodels.

A. Refresh. Within 6 months after we provide you with written notice to refresh you Franchised Business, you must, at your sole expense and in accordance with our then-current Standards and directives, refresh, refurbish, and renovate the Franchised Business to meet our then-current operational and branding Standards (a "**Refresh**"). Generally, a Refresh will require you to add, update, and/or replace components of the Franchised Business (including merchandising elements, graphics, paint or wall coverings, menu boards, interior and exterior signage, kitchen equipment, drive-thru equipment, Computer System components, and other furniture, fixtures, equipment, and décor that we specify in our sole discretion) to meet our then-

current Standards without significantly altering your Franchised Business' layout or structure.

B. Remodel. Within 6 months after we provide you with written notice to remodel, you must, at your sole expense and in accordance with our then-current Standards and directives, remodel, refurbish, renovate, and modernize the Franchised Business to meet our then-current operational, branding, and architectural design Standards (a "**Remodel**"). Generally, a Remodel may include all of the modifications, upgrades, and replacements required in a Refresh, plus other more extensive alterations to your Franchised Business' layout, structure, or design, such as redesigning the interior and exterior appearance and interior layout of the Franchised Business or adding a drive-thru to a Franchised Business.

C. Process for Refreshes and Remodels. Before you begin a Refresh or a Remodel, we, our affiliate, or our designee will in-person or virtually inspect your Franchised Business and produce a site survey and/or design plan that will comply with our then-current Standards. We may require you to pay us, our affiliate, or our designee a reasonable fee for producing the site survey and/or design plan. All plans, designs, furniture, fixtures, equipment, and décor related to a Refresh or a Remodel must be approved by us in writing, must conform to our then-current Standards and applicable Laws, and, if we so require, must be purchased from Approved Suppliers we designate or approve in writing. For each Remodel, you must comply with Sections 6.1 (Leasehold Improvements), 6.2 (Architectural Plans), and 6.3 (Construction, Inspection, and Government Approvals) of this Agreement. You agree that each Refresh or Remodel may require you to make a significant capital investment into your Franchised Business. You agree to incur, without limitation, any capital expenditures required to comply with this obligation and our requirements (even if those expenditures cannot be amortized over the remaining Term).

D. Requirements Are Not Exclusive. The requirements in this Section are in addition to, and do not limit, your obligation to add, update, and/or replace components of the Franchised Business from time to time as stated in other Sections of this Agreement, including Section 8.3 (Changes to the Standards and the Manuals) and Section 12.5 (Continuing Maintenance).

12.7 Your Participation; Manager.

A. Participation and Managers. You must devote your best efforts to the proper and effective operation of the Franchised Business. Your Franchised Business must employ or be assigned the minimum number of dedicated Managers stated in Schedule A. Your Managers must have day-to-day management responsibility for your Franchised Business, exercise on-premises supervision, and personally participate in the direct operation of the Franchised Business. You (if you are an individual) or your Primary Contact may, but are not required to, serve as a Manager for the Franchised Business, provided that you or they otherwise qualify for the position.

B. Director of Operations. If you and your affiliates operate 4 or more Franchised Businesses, in addition to the Managers for each Franchised Business that you operate, we may require you to appoint one or more Managers with the responsibility of supervising and supporting multiple Franchised Businesses (each, a "**Director of Operations**").

C. Qualifications. Each Manager and Director of Operations must successfully complete the Management Training Program, satisfy any other minimum standards we require for their position, and complete additional training and On-Site Training as we specify.

D. Changes to Managers and Directors of Operations. You must inform us in writing of the identity of any Managers and Directors of Operations. You must notify us immediately of the death, disability, termination of employment, or replacement of any of your Managers (including any Director of Operations) and must designate a successor or acting Manager or Director of Operations within 30 days after the death, disability, or termination of the predecessor.

12.8 Computer System. You must promptly purchase, lease and/or license and install at the Franchised Business, at your sole expense, the computerized point-of-sale system, computer systems, mobile hardware, software, associated computer hardware, telephone lines, network connections, communications equipment, high speed internet access (e.g. DSL or cable), and other equipment that we require from time to time (the “**Computer System**”), all of which you must keep in good maintenance and repair. You must use the Computer System in accordance with our Standards. We have the right to retrieve all data from your Computer System that we deem appropriate and we may require you to obtain polling services we specify. We or a designated Approved Supplier will be the provider for the polling services and you must pay all polling fees or service fees charged by the provider for the polling services. If it becomes advisable at any time, in our sole discretion, for us to change, upgrade, or discontinue use of any of the components of the Computer System, you will comply with our directions, at your expense, within a reasonable time after notice to you. We will have no liability or obligation whatsoever with respect to our requirement that you modify or discontinue use of any of the components of the Computer System or any unauthorized modifications to the Computer System that you make. We may require you to enter into agreements with, and pay a reasonable fee to, us, our affiliates, or Approved Suppliers for required modifications and enhancements to the Computer System or other maintenance and support programs.

12.9 Customer Card Programs. At your expense, you must fully participate in gift card programs, loyalty programs, credit card programs, customer tracking programs, incentive programs, reward programs, and other types of programs (“**Customer Card Programs**”) that we develop or designate to support and promote the System. You must comply with all our procedures and policies for Customer Card Programs in the Manuals. You will, at your sole expense, promptly install at the Franchised Business any acceptance system for Customer Card Programs and/or hardware and software necessary for Customer Card Programs to operate with the Computer System. You also must obtain any services and supplies we require in connection with Customer Card Programs and pay all fees charged by us, our affiliates, or our Approved Suppliers in connection with Customer Card Programs. Customer Card Programs may use aspects of the Computer System.

12.10 Hours of Operation. You must continuously operate the Franchised Business on the days and during the minimum hours we specify. You may establish days and hours of operation in excess of the required minimum days and hours. If you wish to operate the Franchised Business for less than the minimum days and hours we specify, you must obtain our prior written approval, which will not be unreasonably withheld. If the Franchised Business is located in a facility or location in which the hours of operation required by the landlord are different than our specifications, you may operate the Franchised Business in accordance with the landlord’s requirements.

12.11 Purchasing and Distribution Cooperatives. You must (i) become a member of any purchasing and/or distribution cooperative(s)/association(s)/program(s) (collectively, “**Purchasing Programs**”), if any, that we designate and/or establish for the System by the

deadlines that we specify (which will be before your Opening Date if we have already established a Purchasing Program), (ii) remain a member in good standing thereof throughout the Term, and (iii) pay all reasonable membership fees assessed by any Purchasing Program.

12.12 Prices. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for Approved Products, including required participation in System-wide discount programs and promotions. If we do not establish pricing requirements, then you will have the right to determine the prices you charge.

13. INDEMNIFICATION; INSURANCE

13.1 Indemnification.

A. Indemnification Obligation. You must defend, indemnify, and hold harmless us and our affiliates, our and their permitted successors and assigns, and each of our and their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the “**Indemnified Parties**”) from and against all Losses (defined below), that any of the Indemnified Parties suffer, sustain, or incur as a result of a claim asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of or relating to: (i) the operation of the Franchised Business; (ii) the business you conduct under this Agreement; (iii) your breach of this Agreement; (iv) your noncompliance or alleged noncompliance with any Law; or (v) any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. “**Losses**” include all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that any Indemnified Party incurs. Defense costs include arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

B. Indemnification Procedure. We will promptly notify you of any claim that may give rise to a claim of indemnity under this Agreement, provided, however, that the failure to provide the notice will not release you from your indemnification obligations under this Agreement, except to the extent you are actually and materially prejudiced by the failure. You have the right, on written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from the claim, to assume and control the defense of the claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of that counsel. If (i) the Indemnified Party has been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to you and, in the reasonable opinion of the Indemnified Party, the counsel that you have selected could not adequately represent the interests of the Indemnified Party because these interests could be in conflict with your interests, (ii) you do not assume responsibility for the Losses in a timely manner, (iii) the claim involves any elements of the Intellectual Property, or (iv) you fail to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party has the right to assume the defense of any claims and employ counsel of its own choosing and you must pay the reasonable fees and disbursements of that Indemnified Party’s counsel as incurred; provided that in any case, you are not obligated to pay the expenses of more than one separate counsel for all Indemnified Parties taken together. In connection with any claim, the Indemnified Party or you, whichever is not assuming the defense of the claim, has the right to participate in

the claim and to retain its own counsel at that party's own expense.

C. Cooperation and Settlement. You or the Indemnified Party (as the case may be) must keep you or the Indemnified Party (as the case may be) reasonably apprised of, and must respond to any reasonable requests concerning, the status of the defense of any claim of which it is maintaining, and must cooperate in good faith with each other with respect to the defense of any claim. You will not, without the prior written consent of the Indemnified Parties, (a) settle or compromise any claim or consent to the entry of any judgment with respect to any claim that does not include a written release from liability of the claim for the Indemnified Parties, or (b) settle or compromise any claim in any manner that may adversely affect the Indemnified Parties other than as a result of money damages or other monetary payments that you will pay. No claim that you are defending in good faith in accordance with this Section 13.1 will be settled by the Indemnified Parties without your prior written consent, which may not be unreasonably withheld.

D. Willful Misconduct or Gross Negligence. You have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions. However, nothing in this Section 13.1.D. limits your obligation to defend us and the other Indemnified Parties under Section 13.1.A. (Indemnification Obligation).

E. Survival and Recovery. Your obligations in this Section 13.1 continue in full force and effect after and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, to maintain and recover fully a claim against you under this Section 13.1. You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 13.1.

13.2 Required Insurance. You must obtain and maintain during the Term, at your expense, a comprehensive business insurance program, including property, commercial general liability, automobile liability, business property, umbrella, workers' compensation, cyber liability and employment practices liability. Your obligation to maintain this insurance is not limited in any way by reason of any insurance that we maintain, nor will it relieve you of your indemnity obligations stated in Section 13.1 (Indemnification). These policies are required to respond on a primary and non-contributory basis to any insurance carried by us or our affiliates and may not otherwise limit coverage for tort liabilities assumed in this Agreement. We may from time to time increase, decrease, add to, delete from, or modify the mandatory insurance coverages we require in accordance with reasonable and customary changes in the industry, as we determine. You currently must obtain and maintain the coverage stated in Schedule A. We reserve the right to obtain a master insurance policy on behalf of the System for certain types of coverage and require you to pay all or a portion of your proportionate share of coverage under the master policy to us or our Approved Supplier.

13.3 Carrier; Proof of Insurance. All insurance policies required under this Agreement: (i) must be issued by an insurance carrier authorized to conduct business in the state in which your Franchised Business is located and be rated "A-" (Excellent) / VIII (\$100M to \$250M policy holder surplus) or better by A.M. Best and Company, Inc., or its successor; (ii) must insure you and name us and our affiliates, our and their permitted successors and assigns, and each of our and their respective direct and indirect owners, directors, officers, managers, employees and agents as an additional insured for claims arising from your Franchised Business and your

operations, and include a waiver of subrogation in favor of us; (iii) must stipulate that the insurer will deliver 30 days' written notice to us before any cancellation or modification, except 10 days for non-payment of premiums; (iv) unless otherwise noted, must be written on occurrence based policy forms; and (v) may not be subject to unreasonable deductibles or retentions without our prior written approval. You must deliver proof of your compliance with this Section to us so that we receive proof: (a) before you start construction of the Franchised Business; (b) annually on the expiration, renewal, or replacement of each policy; and (c) within 10 days after we make any demand therefor. If you fail to obtain and maintain the required insurance, in addition to any other rights and remedies we have, we may, but are not obligated to, procure the insurance for you without notice, and you must reimburse us, on demand, the premiums and 15% of the premiums as a service charge to cover our costs in taking this action.

14. RIGHT TO ACCESS; RECORDS; REPORTING

14.1 Inspections and Audits. We or any of our authorized agents may at any time during normal business hours (including pre-opening and post-closing) enter the Franchised Business or any other place where business related to the Franchised Business is conducted and: (i) conduct an operational audit to determine your material compliance, as we determine, with this Agreement; (ii) examine, analyze, and inspect the Franchised Business, the Proprietary Goods, the Approved Products, and any products produced and/or sold or distributed at, from, or through the Franchised Business (whether authorized or unauthorized); (iii) take reasonable samples of any the Proprietary Goods, the Approved Products, and any products produced and/or sold or distributed at, from, or through the Franchised Business (whether authorized or unauthorized), without charge or liability; (iv) videotape, photograph, or otherwise record the operation of the Franchised Business; (v) interview your employees, customers, landlords, and suppliers; and (vi) audit, review and examine by any means, including electronically through the use of telecommunications devices or otherwise, at our expense, your books, records, accounts, and tax returns related to the Franchised Business. We may require you to send us copies of your books, records, and files related to the Franchised Business, which you must provide to us or our representatives within a reasonable time (not to exceed 10 days) of our request. We also may require you to participate in customer satisfaction surveys or other audit programs, including electronically through the use of telecommunications devices or otherwise, to assess your compliance with our customer service standards. You will provide us with full cooperation in the course of any inspection or audit we conduct under this Section. Any inspections will be made at our expense, unless the inspection is necessitated by your repeated or continuing failure to comply with any provision of this Agreement, in which case we may charge you the costs of making the inspection, including the wages and cost of travel and living expenses for our representatives.

14.2 Discrepancies. If any inspection, audit, review, or examination reveals that Net Sales have been understated in any report to us, you must immediately pay to us the Royalty Fees and Marketing Fees due with respect to the amount understated on demand, in addition to interest provided for under this Agreement. If any understatement exceeds 2% of Net Sales as stated in the report, you must, in addition, on demand, reimburse us for all reasonable expenses connected with the audit, review, or examination (including reasonable accounting and attorneys' fees). These remedies are in addition to any other rights and remedies we have.

14.3 Systems and Reports. You must: (i) comply with all our Standards on accounting systems, procedures, and formats, if any; (ii) timely submit to us complete and accurate financial, operational, and other reports we require (including weekly reports detailing the Gross Sales and Net Sales during the preceding week and monthly profit and loss statements for the prior month's

operations); and (iii) use all forms we specify. You must submit any report by mail, telephone, electronic means, or any other means we may designate. For purposes of reporting to us only and not for purposes of calculating Royalty Fees and Marketing Fees due, "Gross Sales" means Net Sales, plus the amount of any discounts from redemptions of coupons, and other reductions made to calculate Net Sales.

14.4 Financial Statements. On or before February 1st of each year (or any other date we specify in the Manuals or otherwise in writing, which may be by email or other electronic communications), you must furnish to us a statement of the profit and loss of the Franchised Business for the last fiscal year and a balance sheet as of the end of the last fiscal year, prepared in accordance with our requirements and certified by you to be true and correct. We have the right to demand audited financial statements if a financial-related default has occurred under this Agreement within the last calendar year.

14.5 Tax Returns. No later than 90 days following our request, you must furnish to us exact copies of all tax returns, including federal, state, and any local income tax returns relating to the Franchised Business or you or your Entity.

14.6 Financial Records. You must accurately and completely record all revenues the Franchised Business receives or is entitled to receive. You must keep and maintain accurate and complete books, records, tax returns, and all business, personnel, financial, and operating records related to the Franchised Business, including related supporting material, such as bank statements, POS tapes/records, cash receipts and credit and charge records, for at least 3 years. These financial records may not be commingled with records for other businesses. If you have commingled your franchised records for various businesses, we have the right to review and audit the records for all commingled businesses.

14.7 Initial Investment Statements. You must submit to us, using the forms that we provide to you, complete and accurate statements of (i) the costs that you incurred developing the Franchised Business before the Opening Date, which is due to us within 30 calendar days after the Opening Date and (ii) the costs you incur during the first 90 days of operating your Franchised Business, which is due to us within 120 calendar days after the Opening Date.

14.8 Additional Information. You must respond promptly to our requests for clarification and/or additional information on any matter entrusted to you under this Agreement. You will inform us from time to time on our request of: (i) all prices you charge for Products you sell; and (ii) the prices your competitors charge in the area. We may use data and information derived from polling your Computer System or your financial reports and statements in any manner that we deem appropriate, including using the data in our Franchise Disclosure Document (the "**FDD**"), in performing market analyses, and in our promotional materials, provided that any information that we include in our FDD and promotional materials will not individually identify you or your Franchised Business.

14.9 Communications with Third Parties. You grant us the right to release to your landlord, lender(s), or prospective landlord(s) and lender(s), any financial and operational information relating to you and/or the Franchised Business; however, we have no obligation to do so. Additionally, you grant permission to us to request information from your landlord and lender(s) and for the landlord and lender(s) to respond to all questions from us.

15. CONFIDENTIAL INFORMATION; RESTRICTIVE COVENANTS

15.1 Definitions. As used in this Agreement:

A. **“Confidential Information”** means any non-public information related to the System or information that, by its nature, would reasonably be expected to be held in confidence or kept secret. Without limiting the definition of “Confidential Information,” all the following will be conclusively presumed to be Confidential Information whether or not we designate them as such: (i) the Standards and Manuals; (ii) pricing information and models; (iii) materials describing our franchise network and System; (iv) plans, layouts, designs and specifications for a prototypical Business; (v) our methods of preparing and serving Approved Products, including Recipes; (vi) our sources (or prospective sources) of supply and all information related to or concerning the same, including the identity and pricing structures with our Approved Suppliers; (vii) our training materials; (viii) our marketing plans and development strategies; (ix) this Agreement and any related schedules, exhibits, attachments, or addenda and all terms contained therein; (x) Customer Information (as defined in Section 15.3 (Customer Information)), whether collected by you, us or our affiliates, or a third party; and (xi) other information we give to you, except where such information is a Trade Secret (defined below).

B. **“Trade Secret”** means information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. Without limiting the definition of **“Trade Secrets,”** all the following will be conclusively presumed to be Trade Secrets whether or not we designate them as such: (i) the composition of our Proprietary Goods; (ii) our Recipes; (iii) advertising, marketing, and public relations strategies; and (iv) our marketing analyses.

C. The terms “Confidential Information” and “Trade Secret” do not include: (i) information generally known to the public at the time we disclose it to you; (ii) information that becomes known to the public after we disclose it to you, unless it becomes known due to your breach of this Agreement or someone else’s breach of a duty to maintain confidentiality; or (iii) information you can prove was within your legitimate and unrestricted possession at the time we disclosed it to you.

15.2 Protection of Confidential Information and Trade Secrets. You agree that the Confidential Information and Trade Secrets are not, by definition, generally known in the trade, that they are beyond your present skill and experience, and that for you to develop the Confidential Information and Trade Secrets on your own would be expensive, time-consuming, and difficult. You agree that the Confidential Information and Trade Secrets provide you with a competitive advantage, that they will be economically valuable to you in the development of your Franchised Business, and that gaining access to Confidential Information and Trade Secrets is therefore a primary reason why you are entering into this Agreement. You specifically agree that these restrictions are applicable even before you open the Franchised Business since you will receive valuable information and training about the System and the operation of the Franchised Business before you begin operations of your Franchised Business. You agree that you are liable under this provision even if you do not open the Franchised Business as this Agreement requires. Accordingly, in consideration of our disclosure of the Confidential Information and Trade Secrets, you agree that:

A. You will not, during the Term:

(i) appropriate or use any Confidential Information or any Trade Secret for any purpose other than in accordance with this Agreement;

(ii) disclose or reveal any portion of the Confidential Information or any Trade Secret to any person, other than to your directors, officers, Owners, management employees, or others who: (a) have a legitimate business need to know of it to operate your Franchised Business, (b) are aware of the confidentiality restrictions in this Agreement, and (c) are similarly bound not to disclose the Confidential Information by an agreement at least as restrictive as the terms of this Agreement; or

(iii) divulge or use any Confidential Information or any Trade Secret for the benefit of any other person or Entity except as we expressly authorize.

B. You will not at any time after the termination or expiration of this Agreement:

(i) use any Confidential Information for any purpose; or (ii) divulge or use any Confidential Information for the benefit of any other person or entity.

C. You will not at any time after the termination or expiration of this Agreement:

(i) use any Trade Secret for any purpose; or (ii) divulge or use any Trade Secret for the benefit of any other person or entity.

D. You will not copy, duplicate, record, digitally reproduce, or otherwise reproduce any of the Confidential Information or Trade Secrets, in whole or in part, or otherwise make Confidential Information or Trade Secrets available to any third party, except as we authorize in this Agreement.

E. You will make all reasonable efforts and take all appropriate precautions to prevent unauthorized copying or disclosure of any Confidential Information or Trade Secrets which precautions will include, but not be limited to, restricting access to Confidential Information and Trade Secrets on a “need to know” basis.

15.3 Customer Information.

A. Protection of Customer Information. You must comply with our System Standards, other directions from us, and all applicable Laws regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality, integrity, and security of Customer Information on your Computer System or otherwise in your possession or control and, in any event, employ reasonable means to safeguard the confidentiality, integrity, and security of Customer Information. “**Customer Information**” means names, contact information, financial information, purchasing history, market research data, and other personal information of or relating to the customers and prospective customers of the Franchised Business.

B. Access to Customer Information. All Customer Information that you or your third-party vendors collect from customers and potential customers in connection with your Franchised Business must be furnished to us at any time that we request it. In addition, we and our affiliates, through the Computer System or otherwise, have the right to independently access the Customer Information.

C. Use of Customer Information. You must only use Customer Information to market Approved Products to customers in accordance with the policies that we establish periodically and applicable Laws. You may not sell, transfer, or use Customer Information for any purpose other than marketing Approved Products and the Franchised Business. We and our affiliates may use Customer Information in any manner or for any purpose. You must secure from your customers, prospective customers, vendors, and others all consents and authorizations, and provide them all disclosures, that applicable Law requires to transmit Customer Information to us and our affiliates, and for us and our affiliates to use that Customer Information, in the manner that this Agreement contemplates.

15.4 Restrictive Covenants. For the purposes of this Agreement, “**Covered Persons**” means you, your Owners, and your directors and officers, as added to, deleted from, or replaced from time to time. You agree that you will require all Covered Persons to sign our form of Confidentiality, Non-Disclosure and Non-Competition Agreement. You agree that you will comply with the following restrictions:

A. During the Term. During the Term, without our prior written consent, neither you nor any of your Covered Persons, nor any person or entity controlling, controlled by, or under common control with you or them, will individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any person or entity:

(i) own, manage, engage in, be employed by, advise, make loans to, participate in, consult for, or have any other interest in (a) any business that derives any of its annual revenue from the retail or wholesale production or sale of Competing Products (as defined in Schedule A), (b) any business that is the same as, or similar to, the Business concept as the concept evolves over time, or (c) any Entity that grants franchises or licenses for any of these types of businesses (each, a “**Competitive Business**”) other than the Franchised Business or another business you or they operate under an agreement with us;

(ii) divert or attempt to divert any business or potential business from the Franchised Business;

(iii) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Franchised Business; or

(iv) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

B. Post-Term. Beginning at the expiration or termination of this Agreement and for 24 months thereafter or 24 months after a court of competent jurisdiction enters an order enforcing this Section 15.4 of this Agreement, whichever occurs last, (i) at the Accepted Location, (ii) within 10 miles of the Accepted Location, and (iii) within 10 miles of any Business, neither you nor any of your Covered Persons, nor any person or entity controlling, controlled by, or under common control with you or them, will individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any person or entity: (a) own, manage, engage in, be employed by, advise, make loans to, participate in, consult for, or have any other interest in a Competitive Business or (b) divert or attempt to divert any business from any Business.

C. Publicly Traded Corporations. Nothing in this Section 15.4 will prevent you from owning for investment purposes up to an aggregate of 5% of the capital stock of any Competitive Business, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange or through the National Association of Securities Dealers Automated Quotation System (NASDAQ), and so long as you do not control the company in question.

D. Acknowledgements. You agree that: (a) you and the other individuals and entities required to comply with this Section 15.4 have received or will receive an advantage through the training provided under this Agreement, the knowledge of the day-to-day operations of a Business, and access to the Standards, Manuals, System, Confidential Information, and Trade Secrets, and (b) the covenants and restrictions in this Section 15.4: (i) are reasonable, appropriate and necessary to protect the System, Confidential Information, Trade Secrets, other franchisees operating under the System, the goodwill of the System, relationships with our prospective and existing customers, and our legitimate interests; and (ii) do not cause undue hardship on you or any of the other individuals and entities required by this Section 15.4 to comply with the covenants and restrictions.

15.5 Remedies. This Section 15 is a primary inducement to us to enter into this Agreement, and on any breach of this Section 15 you agree that we would be irreparably injured and without adequate remedy at law. Therefore, on a breach or a threatened or attempted breach of this Section 15, you agree that we are entitled, in addition to any other remedies we have under this Agreement or at law or in equity (including the right to terminate this Agreement), to a preliminary and permanent injunction and a decree for specific performance of the terms of this Section 15 without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security. You agree that it is conclusively presumed that any violation of Section 15.4 (Restrictive Covenants) was accompanied by the misappropriation and inevitable disclosure of our Confidential Information, Trade Secrets, and other methods and procedures.

15.6 Modification. If any term in this Section 15 must be interpreted by a court or an arbitrator of competent jurisdiction, you expressly agree that: (i) the terms of this Section 15 are made freely and voluntarily by you and us, as two independent businesses, together with your Covered Persons to whom we delivered due consideration, in an arms-length commercial transaction between experienced business operators; (ii) in no event should the terms be construed in the same manner or under the same body of law as analogous terms in a contract of employment; (iii) if a court or arbitrator finds that any term in this Section 15 is invalid or unenforceable for any reason, that term will automatically be modified to the minimum extent necessary to make it valid and enforceable, and the modification will be deemed to have been a part of this Agreement as of the Effective Date; (iv) the court or arbitrator should strictly construe these terms in favor of enforcement; and (v) if any term could be construed two ways, one of which would render the term valid and the other of which would render the term invalid, the court or arbitrator will construe the term in the manner that renders it valid. Any dispute between you and us arising out of or related to Section 15.4 (Restrictive Covenants), regardless of the forum in which the dispute is litigated, arbitrated, or otherwise addressed for purposes of resolving the dispute, will be governed by and construed and enforced in accordance with the laws of the state in which your Accepted Location is located, which laws will prevail in the event of any conflict of law.

15.7 Unfair Competition. Your breach of any subsection of this Section 15 will constitute unfair competition. You agree that Section 15.2 (Protection of Confidential Information and Trade Secrets) is a reasonable effort under the circumstances to maintain the confidentiality of our Confidential Information and the secrecy of our Trade Secrets.

16. TRANSFER

16.1 Definition of Transfer. For purposes of this Agreement, “**Transfer**” as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the Franchised Business, substantially all the assets of the Franchised Business, or in the ownership of the franchisee (if you are an Entity). “**Transfer**” as a noun means any such sale, assignment, gift, transfer, pledge, mortgage, or encumbrance. A “**Control Transfer**” means any Transfer of (i) this Agreement or any interest in this Agreement; (ii) the Franchised Business or all or substantially all of the Franchised Business’s assets; or (iii) any Controlling Ownership Interest (defined below) in you (if you are an Entity), whether directly or indirectly through a transfer of legal or beneficial ownership interests in any Owner that is an Entity, and whether in one transaction or a series of related transactions, regardless of the time period over which these transactions take place. References to a “**Controlling Ownership Interest**” in you mean either (i) 20% or more of your direct or indirect legal or beneficial ownership interests in your Entity or (ii) an interest, the acquisition of which, grants the power (whether directly or indirectly) to direct or cause the direction of management and policies of you or the Franchised Business to any individual or Entity, or group of individuals or Entities, that did not have that power before that acquisition.

16.2 No Transfer Without Our Consent. This Agreement and the license are personal to you, and we have granted the license in reliance on your (and, if you are an Entity, your Owners’) business skill, financial capacity, and personal character. Accordingly, neither you nor any of the Owners or any successors to any part of your interest in this Agreement or the license may make any Transfer or permit any Transfer to occur without obtaining our prior written consent. Any purported Transfer, without our prior written consent, will be null and void and will constitute a default under this Agreement, for which we may terminate this Agreement without opportunity to cure.

A. Requesting Consent. If you or any of your Owners desire to make a Transfer, you must promptly provide us with written notice. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. We have the right to communicate with both you, your counsel, and the proposed transferee on any aspect of a proposed Transfer. No Control Transfer may be completed until at least 60 days after we receive all requested information to evaluate the proposed Control Transfer. No other Transfer may be completed until at least 30 days after we receive all requested information to evaluate the proposed Transfer.

B. Granting Consent. We have sole discretion to withhold our consent, except as otherwise provided in Sections 16.4 through 16.7. Without limiting the foregoing, we will not consent to a Transfer, and we are under no obligation to do so, if (i) your Franchised Business is not open and operating; or (ii) the Transfer would cause a transferee or its owners to breach another agreement (whether or not with us). Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement.

16.3 Control Transfer. For a proposed Control Transfer, in addition to any other conditions that we specify and without limiting in any way our sole discretion to grant or withhold consent for a proposed Control Transfer, at a minimum, the following conditions must be satisfied (unless waived by us):

A. You notify us in writing at least 90 days before any proposed Control Transfer and provide all requested information at least 60 days before any proposed Control Transfer.

B. All sums you owe us and our affiliates are paid.

C. You are not (i) at the time of the Transfer request or the Transfer closing, in default in any material respect under this Agreement or any other agreement with us, or any of our affiliates, or any of our Approved Suppliers and (ii) you have not been during the Term, in default in any material respect under this Agreement or any other agreement with us, any of our affiliates, or any of our Approved Suppliers without curing the default within the applicable cure period.

D. The transferee and its proposed directors, officers, shareholders, partners, and members, as applicable, and its Manager and any other personnel we designate, who will be responsible for operating and managing the Business, satisfactorily complete before the date of Transfer our Management Training Program.

E. The transferee and its directors, officers, shareholders, partners, members, and managers, as applicable, meet our requirements for approval as new franchisees, including our requirements for proficiency in the English language. If the transferee, its affiliates, or any of its directors, officers, shareholders, partners, members, or managers owns an interest in another Business or another franchise licensed by one of our affiliates, those individuals or entities must (i) at the time of the Transfer request or the Transfer closing, not be in default in any material respect under any agreement with us, any of our affiliates, or any suppliers, (ii) during the previous two years, not have been in default in any material respect under any agreement with us, our affiliates, or any suppliers without curing the default within the applicable cure period, and (iii) in our sole judgment, have been approved to develop and operate additional franchises.

F. Notwithstanding when the Franchised Business was last remodeled, the transferee agrees in writing that it will, at its expense, upgrade, and remodel the Franchised Business to conform to our then-current Standards for quality and appearance and trade dress within the time we reasonably specify; provided, however, if the Franchised Business conforms to our then-current Standards for appearance, the transferee will only address all items identified in the last quality assurance inspection, within the time we reasonably state.

G. The transferee signs our then-current form of franchise agreement and all other then-current related agreements as we require of new franchisees generally provided, however, the transferee will not be required to pay the initial franchise fee stated in the new franchise agreement and the term of the new franchise agreement will expire on the expiration date of the Term of this Agreement. The terms of our then-current franchise agreement, including the fees, may be materially different than the terms of this Agreement.

H. The transferee (and, if the transferee is not an individual, all owners of a legal or beneficial interest in the transferee as we request) must (i) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge and guarantee all of your

obligations under this Agreement and (ii) must sign our then-current form of personal guaranty.

I. You, all Owners and guarantors, the transferee, and all individual owners of the transferee, deliver to us a written and duly signed general release, in a form that we will prepare at our sole expense, of all claims against the Released Parties, which indemnifies the Released Parties against any statements, representations, or warranties that you may have made or given to the proposed transferee.

J. We receive a fully-signed copy of all Transfer documents.

K. You pay us a transfer fee of 25% of the amount of the then-current initial franchise fee.

L. You and your Owners must agree to remain liable for all of the obligations to us in connection with the Franchised Business arising before the effective date of the Transfer and sign all instruments that we reasonably request to evidence this liability.

M. You must provide us with written notice from your landlord indicating that your landlord has agreed to transfer the Site Agreement to your transferee.

N. We must determine, in our sole discretion, that the purchase price and payment terms will not adversely affect the operation of the Franchised Business, and if you or your Owners finance any part of the purchase price, you and they must agree that all obligations under promissory notes, agreements, or security interests reserved in the Franchised Business are subordinate to the transferee's obligation to pay all amounts due to us and our affiliates and otherwise to comply with this Agreement.

16.4 Non-Control Transfers. For any Transfer that does not result in a Control Transfer, you must give us advance notice and submit a copy of all proposed contracts and other information concerning the Transfer and transferee that we request. We will have a reasonable time (not less than 30 days) after we have received all requested information to evaluate the proposed Transfer. You and/or your transferee must satisfy, in addition to others that we specify, the conditions in Sections 16.3.B. (pay all sums owed), 16.3.C. (not in default), 16.3.E. (transferee meets qualifications), 16.3.H. (sign assignment and guaranty), 16.3.I. (sign general release), and 16.3.L. (remain liable for pre-Transfer obligations). You must pay us a transfer fee equal to 10% of the then-current initial franchise fee. You and your Owners must sign the form of agreement and related documents that we then specify to reflect your new ownership structure. We may withhold our consent on any reasonable grounds or give our consent subject to reasonable conditions.

16.5 Related Party Transfers. Notwithstanding anything to the contrary in Section 16.3 (Control Transfer) or 16.4 (Non-Control Transfers), you may Transfer cumulatively (i) up to a 49% (100% on your death or disability) interest in this Agreement, the Franchised Business, or your Entity to your spouse, your parent, or your child or (ii) up to a 100% interest in this Agreement, the Franchised Business, or your Entity to any of the original guarantors to this Agreement, provided you (a) give us prior written notice of the Transfer; (b) you and/or your transferee comply with the conditions in Section 16.3.C. (not in default), 16.3.E. (transferee meets qualifications), 16.3.H. (sign assignment and guaranty), 16.3.I. (sign general release), and 16.3.L. (remain liable for pre-Transfer obligations); (c) you pay us a transfer fee of 10% of the then-current initial franchise fee; and (d) if the Transfer is of a Controlling Ownership Interest, the transferee and any other personnel we designate satisfactorily complete before the date of Transfer our Management

Training Program.

16.6 Transfer On Death Or Incapacity. If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of this Section 16, as applicable, except there will be no transfer fee due. For purposes of this Section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of 30 or more consecutive days or (ii) for 60 or more total days during a calendar year. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3.E. (transferee meets qualifications), the executor may Transfer the decedent's interest to another successor that we have approved, subject to all of the terms for Transfers in this Agreement. If an interest is not disposed of under this Section 16.6 within 180 days after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement.

16.7 Security Interests. You may not grant any security interest in the Franchised Business, the assets used in the operation of the Franchised Business, or any direct or indirect legal and/or beneficial interest in you without our prior written consent, which will not be unreasonably withheld. Our consent may be conditioned, in our sole discretion, on the written agreement by the secured party that, on your default under any agreement related to the security interest, we have the right and option (but not the obligation) to purchase the rights of the secured party on payment of all sums then due to the secured party. Any foreclosures or other exercise of the rights granted under that security interest are subject to all applicable terms of this Section 16. Notwithstanding the foregoing, however, you may grant, without obtaining our prior written approval, a security interest in the assets of the Franchised Business (not including this Agreement) to a lender for the sole purpose of financing your acquisition, development, and/or operation of the Franchised Business.

16.8 Right of First Refusal.

A. Option Period. If you receive and want to accept a *bona fide* written offer from a third party to purchase the Franchised Business or substantially all the interests in you (collectively, the "**Interest**"), you must give us: (i) prompt written notice of the offer, stating the name and address of the prospective purchaser and the price and terms of the offer; and (ii) copies of all written documents and other information reasonably related to the offer provided by or to the prospective purchaser. For 30 days after we receive the information required by this Section (the "**Option Period**"), we have the option to purchase the Interest on the same terms as the third party offers; provided, however, if any portion of the consideration the third party offer is other than cash, we have the option of substituting the equivalent cash value.

B. Appraisal Process. If we cannot agree within a reasonable time on the equivalent cash value, the equivalent cash value will be determined by three independent appraisers using the following appraisal process (the "**Appraisal Process**"): (i) you will designate one appraiser and we will designate one appraiser, and the two appraisers that you and we designate will select a third appraiser, (ii) the majority determination of the three appraisers will be binding, (iii) each party will pay the appraiser's fee for the appraiser that party designated, and (iv) you and we will each pay 50% of the third appraiser's fee.

C. Procedure. For us to have enough information to decide whether to exercise our option, you must promptly deliver to us, at our request, any information about the Franchised Business that we request not otherwise called for by this Agreement. If you comply with this Section 16.8 and we do not exercise our right of first refusal within the Option Period, you may, within 30 days after the expiration of the Option Period, sell, assign, and transfer the Interest to the third party stated in your notice in accordance with the terms of this Section 16. Any material change in the terms of the offer before closing of the sale to the third party will constitute a new offer, subject to the same rights of first refusal by us as in the case of an initial offer. Our failure to exercise our option under this Section 16.8 will not be a waiver of any other provision of this Agreement.

16.9 Restrictions on Advertising Sale of Franchised Business. You may not, without our prior written consent: (i) place in or on the Approved Location any advertisement for the transfer, sale, or other disposition of the Franchised Business or any ownership interest in you, (ii) use any Marks in advertising (in any form of media) the transfer, sale, or other disposition of the Franchised Business or any ownership interest in you, or (iii) list the Franchised Business or any ownership interest in you with any business broker, real estate broker, agent, or attorney.

16.10 Our Right to Transfer. We may Transfer all of our rights and obligations under this Agreement, provided that: (i) we, in our sole discretion, determine that the transferee under the Transfer is able to perform our obligations under this Agreement; and (ii) the transferee agrees, in writing, to perform our obligations under this Agreement. We are not required to obtain your consent for our Transfer. Following the effective date of the Transfer, you will look solely to the transferee, and not to us, for the performance of all obligations in this Agreement.

17. DEFAULT AND TERMINATION

17.1 Your Termination and Notice of Our Breach. You have no right to terminate this Agreement. If we breach this Agreement, your sole remedy is an arbitration proceeding under this Agreement.

17.2 Our Termination: No Opportunity to Cure. We have the right to terminate this Agreement without affording you any opportunity to cure the default, effective on our sending of notice of termination to you (or the earliest date permitted by applicable law) if:

A. You violate the restrictions related to the use of Confidential Information or Trade Secrets in Section 15 (Confidential Information; Restrictive Covenants) or you or any of your Covered Persons violate the Restrictive Covenants in Section 15.4 (Restrictive Covenants).

B. You copy or permit others to copy any portion of the Manuals, except for forms and similar items included in them for the express purpose of copying, or fail to take all necessary precautions to ensure that the Manuals are kept free from theft, unauthorized copying, unauthorized access, fire, or other acts that may jeopardize the confidentiality of its contents.

C. You or any of your Covered Persons: (i) are convicted of or plead no contest to a felony or a crime involving fraud or moral turpitude or any other crime that we deem likely to have an adverse effect on the good name, business, goodwill, image or reputation of the Franchised Business, the System, or the Marks, whether on a local, regional, or national scale (including any convictions or pleas that occurred before the Effective Date that we learn of after the Effective Date); (ii) engage in fraudulent, deceptive, unethical, criminal, or other conduct that, in our sole determination, is likely to have an adverse effect on the good name, business, goodwill,

image, or reputation of the Franchised Business, the System, or the Marks, whether on a local, regional, or national scale; (iii) make, or have made, any material misrepresentation to us related to the Franchised Business or this Agreement; or (iv) knowingly maintain false books or records or submit any false reports to us related to the Franchised Business.

D. You abandon the Franchised Business or otherwise voluntarily suspend operation of the Franchised Business without our prior written consent for five or more consecutive business days on which you were required to operate.

E. Your interest (or your affiliate's interest) in the lease or sublease for the Accepted Location is terminated or expires or you (or your affiliate) otherwise lose possession of the Accepted Location.

F. We send you two or more written notices of default under this Agreement for the same or a similar cause or reason in any consecutive 12-month period, whether or not cured.

G. You: (i) become insolvent by reason of an inability to pay debts as they come due; (ii) are adjudicated bankrupt; (iii) file a petition for bankruptcy protection; (iv) are the debtor in an involuntary bankruptcy petition that is not dismissed within 60 days; (v) are the debtor in an assignment for the benefit of creditors that is not dismissed within 60 days; (vi) are the subject of a voluntary or involuntary petition for reorganization or similar proceeding that is not dismissed within 60 days; (vii) are the subject of a petition for appointment of a receiver, permanent or temporary, that is not dismissed within 60 days; (viii) are the judgment debtor in any final judgment of \$10,000 or more and the judgment remains unsatisfied of record for more than 60 days, unless you have obtained an appeal bond covering the amount of your liability; (ix) have your bank accounts, property, or receivables attached and the attachment proceedings are not dismissed within 60 days; (x) have an execution levied against your Franchised Business or property and the execution is not dismissed within 60 days; or (xi) are the subject of any suit to foreclose any lien or mortgage related to the Franchised Business or the property thereof, and the suit is not dismissed within 60 days.

H. Your or any of your Owners' assets, property, or interests are blocked under any Law relating to terrorist activities, or you or any of your owners otherwise violate any such Law.

I. You fail to open the Franchised Business by the later of (i) the Opening Deadline or (ii) the last extension of time granted to you under Section 6.5.D (Failure to Meet Deadlines), if any.

J. You, your affiliates, and/or any entities owned by or affiliated with any of your Owners default under any other agreement between us and/or our affiliates, whether or not related to the Franchised Business, and fail to cure the default within any applicable cure periods (if any) under the agreement, provided that the default or failure to cure the default would permit us or our affiliate to terminate the agreement.

K. You operate your Franchised Business in any manner that we determine in our reasonable discretion poses a threat or danger to public health or safety, including, without limitation, if a public official requires you to close your Franchised Business as a result of your violation of any Laws relating to public health or safety.

L. You misuse or make any unauthorized use of the Marks.

17.3 Our Termination: Opportunity to Cure Within Cure Period. We have the right to terminate this Agreement for any of the defaults in this Section 17.3 after we send you a notice of default, if you fail to cure the default to our reasonable satisfaction within the time stated below (or the earliest date permitted by applicable law), without further notice or opportunity to cure if:

A. 24 hours after we send you a notice of default, you fail to cure a default for failing to grant us immediate access to your Franchised Business or any other place where business related to the Franchised Business is conducted to perform any of the inspections, audits, or copying described in this Agreement; or if in the course of an inspection, audit, or copying you fail to make the materials we request available to us or provide us with full cooperation in the course of the inspections, audits, or copying.

B. 24 hours after we send you a notice of default, you fail to cure a default related to any dilution or adulteration of Approved Products or any misrepresentation, substitution, or palming off of unapproved products from the Franchised Business.

C. 24 hours after we send you a notice of default, you fail to cure a default related to complying fully with all Laws, unless there is a bona fide dispute as to the violation or legality of a Law and you promptly resort to a court or other appropriate forum having jurisdiction to contest the violation or illegality.

D. 5 calendar days after we send you a notice of default, you fail to cure a default related to (i) selling, bartering, or exchanging, or attempting to sell, barter, or exchange, any Proprietary Goods or Approved Products at wholesale or retail, except as contemplated by this Agreement, (ii) failing to purchase all Goods from us, our affiliates, or our designated Approved Suppliers, or (iii) using any unapproved Goods in the Franchised Business.

E. 10 calendar days after we send you a notice of default, you fail to cure a default for failing to pay promptly when due all debts you owe us or our affiliates, all undisputed debts you owe our Approved Suppliers, and all taxes and other obligations you owe for the Franchised Business; including all federal, state, and local taxes, and all accounts payable of any nature.

F. 10 calendar days after we send you a notice of default, you fail to cure a default relating to obtaining the signing of the Personal Covenants required in Section 15.4 (Restrictive Covenants).

G. 10 calendar days after we send you a notice of default, you fail to cure a default under any mortgage, deed of trust, lease, or sublease of the Accepted Location.

H. 10 calendar days after we send you a notice of default, you fail to cure a default relating to Section 13.2 (Required Insurance) and/or Section 13.3 (Carrier; Proof of Insurance).

I. 10 calendar days after we send you a notice of default, you fail to cure a default relating to Section 14.3 (Systems and Reports).

J. 30 calendar days after we send you a notice of default, you fail to cure a default for failing to meet the Site Approval Deadline or the Construction Start Deadline.

K. 30 calendar days after we send you a notice of default, you fail to cure a default relating to maintaining accurate books of account and business and accounting records as required by this Agreement.

L. 30 calendar days after we send you a notice of default, you fail to cure any breach of any of your other obligations to us under this Agreement (including for a quality assurance inspection failure).

17.4 Suspension of Rights After Your Default. If you are in default of any obligation under this Agreement or our Standards, then we may, in addition to our other remedies, temporarily suspend, until you fully cure the default, your (i) access and use of the System, our websites (including your access or use of website pages), our applications, or our online ordering platforms, if any, and (ii) ability to purchase Goods, including Proprietary Goods and Approved Products. No suspension will constitute a waiver or election of remedies, and we reserve our right to terminate this Agreement in accordance with its provisions. All Royalty Fees, Marketing Fee, and all other fees due under this Agreement continue to accrue during the suspension period. We may also notify your lenders and landlord if you are in default of any obligations under this Agreement. Our consent, approval, or acceptance of any item may be withheld if you are in default under this Agreement or may be conditioned on the cure of all your defaults.

17.5 Other Remedies After Your Default. If you commit a default that cannot be cured as stated in Section 17.2 (Our Termination: No Opportunity to Cure) or if you fail to cure a default within the cure period stated in Section 17.3 (Our Termination: Opportunity to Cure Within Cure Period), if we do not exercise our right to terminate the Agreement, we may, at our sole election and on delivery of written notice to you, take any or all of the following actions:

A. Suspend your access and use of the System or our websites (including your access or use of website pages), our applications, or our online ordering platforms, if any;

B. Suspend your or the Franchised Business's participation in any programs or benefits we offer, including any programs or benefits that are funded by Marketing Fees;

C. Suspend any other services that we or our affiliates provide to you under this Agreement or any other agreement;

D. Suspend or terminate any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

E. Suspend our performance of, or compliance with, any of our obligations to you under this Agreement or other agreements; and/or

F. Undertake or perform on your behalf any obligation that you are required to, but fail to, perform under this Agreement. You will reimburse us on demand for all expenses that we reasonably incur in performing your obligation.

17.6 Exercise of Other Remedies. Our exercise of our rights under Section 17.4 (Suspension of Rights After Your Default) and 17.5 (Other Remedies After Your Default) will not (i) be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement, (ii) be a defense at law or equity based on impossibility of your performance or any claim against us or our Approved

Suppliers. (iii) constitute an actual or constructive termination of this Agreement, or (iv) be our sole or exclusive remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement following our exercise of any of these rights. If we exercise any of our rights under Section 17.5, we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

17.7 Our Management of Restaurant. If we determine that operation of the Franchised Business may be in jeopardy or if a default or breach occurs, then in addition to all our other rights and remedies, we have the right, but no obligation, to enter into and operate the Franchised Business for as long as we believe necessary or practical. Our decision to do so is deemed to be an accommodation to assist you. We make no representation or warranty regarding our ability to operate the Franchised Business profitably, and we will not be responsible for results of operation. You must reimburse all our expenses incurred to operate the Franchised Business, including but not limited to travel, lodging, meals, and personnel compensation; and must pay us, in addition to all other amounts provided for in this Agreement, a management fee of \$250 per day for the period of our operation. We have the right to increase this daily rate effective on delivery of written notice to you. We have the right to cause ourself to be paid and reimbursed all these amounts from revenues of the Franchised Business, as well as all other amounts required to be paid under this Agreement.

18. OBLIGATIONS ON EXPIRATION OR TERMINATION

18.1 General Obligations. On expiration or termination of this Agreement for any reason, you must:

A. Immediately cease using the System, including the Marks and any confusingly similar names, marks, commercial symbols, systems, insignia, symbols, color schemes, trade dress, designs, procedures, domain names, and methods. If you fail or refuse to make changes to the Franchised Business required to distinguish the Franchised Business from its former appearance, we have the right, in addition to all other remedies, to enter the Accepted Location and make the required changes on your behalf, and you must pay to us the entire costs we incur in making the changes, including interest from the date of demand, plus an administrative fee of 15% of the entire cost of the changes.

B. Immediately return to us: (i) all hard copies and electronic copies (capable of being returned) of the Confidential Information and Trade Secrets, including the Manuals, together with all copies of any of them; and (ii) all other manuals, records, files, instructions, correspondence and other materials relating to the operation of the Franchised Business ("**Other Materials**"). If you have on your computer systems, your e-mail accounts, or other digital storage systems or services copies of the Confidential Information, Trade Secrets, and/or Other Materials, you must immediately erase these copies. You must provide us with a certification attesting to the fact that all copies of the Confidential Information, Trade Secrets, and Other Materials in your control or the control of your officers, directors, owners, employees, agents, and representatives have been returned or destroyed in accordance with this Section.

C. Within 5 days after expiration or termination, pay us and our affiliates the full amount you owe us and them.

D. Immediately stop identifying yourself in any way as our franchisee or former franchisee.

E. Immediately comply with the restrictive covenants in Section 15 (Confidential Information; Restrictive Covenants).

F. Immediately take all action required (i) to cancel all assumed name or equivalent registrations relating to your use of the Marks and (ii) to cancel or transfer to us or our designee all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, the Franchised Business or the Marks (collectively, “**Identifiers**”). You agree that as between you and us, we have the sole rights to and interest in all Identifiers. If you fail to comply with this Section 18.1.F., you authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer the Identifiers to us. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept our direction under this Agreement as conclusive evidence of our exclusive rights in the Identifiers and our authority to direct their transfer.

G. Immediately cease operating all social media pages within your control associated with, or previously associated at any time with, the Franchised Business or Yoshinoya, including but not limited to, Facebook, Instagram, YouTube, TikTok and X (f/k/a Twitter). You must also immediately cease operating all online business directory listings within your control associated with, or previously associated with, the Franchised Business or Yoshinoya, including but not limited to, Yelp, Nextdoor, LinkedIn, Google, YP (Yellow Pages), and Angi. You must promptly provide us with all login credentials or other information necessary for us to assume exclusive control over each social media and business directory account, page, or listing. To the extent that you are aware of or become aware of any social media or business directory account, page, or listing associated with the Franchised Business that is not within your control, you must promptly notify us thereof in writing.

(i) Notwithstanding the foregoing, we may in our exclusive discretion demand that you delete, deactivate, or otherwise modify each social media or business directory account or listing at any time. You must comply with any demand immediately on receipt.

(ii) You agree that all consumer or other published reviews of the Franchised Business and/or any goods or services provided by the Franchised Business, are the exclusive property of Yoshinoya. Your right to use the reviews in any manner terminates concurrently with the expiration or termination of this Agreement. You are prohibited from advertising, promoting, quoting, or otherwise referring to the reviews in connection with any business or offer to conduct business on expiration or termination of this Agreement.

(iii) You agree that any violation of this Section 18.1(G) constitutes trademark infringement, service mark infringement, unfair competition, false advertising, and/or deceptive trade practices under federal, state, and common law, that this violation encroaches on the goodwill associated with our brand, and that this violation is likely to cause confusion among reasonably prudent consumers.

H. Promptly sign all documents and take all other actions as we deem necessary to carry out the intent and provisions of this Section 18.1.

18.2 Reinstatement. If this Agreement is terminated under Section 17.2.K (Franchised Business poses a threat to public health and safety), we may, in our sole discretion, permit you to apply for reinstatement of this Agreement within 7 days of the effective date of termination, after the first termination only. Our approval of reinstatement will not be unreasonably withheld, and will be subject to the following conditions. You must:

- A. Cure the default that led to the termination of this Agreement;
 - B. Pay us all fees due us, including Royalty Fees and Marketing Fees;
 - C. Pay us a fee to compensate us for your continued use of the Marks during the period of termination equal to the number of days between the date of termination of this Agreement and the date of reinstatement of this Agreement multiplied by the average daily Royalty Fee due to us during the calendar month preceding the date of termination,
 - D. Pay us a reinstatement fee of 10% of the then-current initial franchise fee;
- and
- E. Sign and return to us our standard form of Reinstatement Agreement, which will include your commitment to a refurbishment plan that you and we must agree on.

18.3 Liquidated Damages.

A. Amount. You agree that any termination of this Agreement before the expiration of the Term will deprive us of the benefit of the bargain we are entitled to receive under this Agreement. As a result, if this Agreement is terminated after the Opening Date, you must pay us, as liquidated damages for the loss of the benefit of the bargain we are entitled to receive, and not as a penalty, a lump-sum payment equal to the average monthly Royalty Fee you owed us during the 36 months before the termination date times the lesser of the remainder of the Term or 36 months. If less than 36 months have lapsed between the Opening Date and the termination date, the liquidated damages will be the average monthly Royalty during the time between the Opening Date and the termination date, multiplied by 36. If the termination occurs before the Opening Date, you will forfeit the Initial Franchise Fee paid and will not owe us any liquidated damages.

B. Payment of Liquidated Damages. You must pay all amounts stated in this Section within 30 days after the termination of this Agreement. You agree, and you direct any party construing this Agreement to conclusively presume, that the damages stated in this Section 18.3: (i) are true liquidated damages; (ii) are intended to compensate us for the harm we will suffer; (iii) are not a penalty; (iv) are a reasonable estimate of our probable loss resulting from your defaults, viewed as of the termination date; and (v) will be in addition to all other rights we have to obtain legal or equitable relief. We have the right to set off any credits, balances or amounts we owe to you against the amounts you owe under this Section 18.3.

18.4 Additional Obligations. The following obligations are in addition to the General Obligations and the liquidated damages stated above.

A. Right to Operate. If we terminate this Agreement under Section 17 (Default and Termination), we have the right to immediately enter and take possession of your Franchised Business to maintain continuous operation of the Franchised Business, provide for orderly change of management and disposition of personal property, and otherwise protect our interests. If we exercise this right, you must vacate the Franchised Business promptly and completely, rendering all necessary assistance to us to enable us to take prompt possession, and you will have no right to any revenue that we earn while operating the Franchised Business. If you dispute the validity of our termination of this Agreement, we will nevertheless have the option, which you irrevocably grant, to operate the Franchised Business pending the final, unappealed determination of the dispute under this Agreement. If an arbitrator or court of competent jurisdiction makes a final, unappealed determination that the termination was not valid, we will make a full and complete accounting for the period during which we operated the Franchised Business.

B. Right to Acquire Accepted Location. If we terminate this Agreement under Section 17 (Default and Termination), you must, at our option, assign to us, or another franchisee we designate, your interest in any Lease for the Accepted Location, and must vacate the Franchised Business promptly and completely, rendering all necessary assistance to us or the other franchisee to enable it to take prompt possession. If you or one of your affiliates owns the Accepted Location, we may elect to purchase the Accepted Location or, at our option, lease the Accepted Location from you or that affiliate for an initial five-year term with one renewal term of five years (at our option) on commercially reasonable terms. If you and we cannot agree on a purchase price for the Accepted Location in a reasonable time, the purchase price will be determined by three independent appraisers using the Appraisal Process. If we elect to exercise this option to purchase, we may set off all amounts you owe us or our affiliates under this Agreement against any payments for the purchase. You (and your Owners) agree to cause your affiliate to comply with these requirements.

C. Right to Acquire Property. If we exercise our option to acquire rights to your Accepted Location, within 15 days after our notice to you of this election, you will arrange with us for an inventory to be made by us, at our cost, of all Goods related to the Franchised Business, including all items bearing the Marks. We will have the option, to be exercised within 30 days after our completion of the final inventory, or our receipt thereof, to purchase from you any or all of these items at the actual fair market value (exclusive of goodwill) (the “**Purchase Value**”). If we elect not to purchase your Goods related to the Franchised Business, we can retract our exercise of our option to acquire rights to your Accepted Location under Section 18.4.B. (Right to Acquire Accepted Location). If the parties cannot agree on a Purchase Value within a reasonable time, the Purchase Value will be determined by three independent appraisers using the Appraisal Process. If we elect to exercise this option to purchase, we may set off all amounts you owe us or our affiliates under this Agreement against any payments for the purchase. At the closing, you will deliver to us, in a form satisfactory to us, good and merchantable title to the assets purchased, free and clear of any encumbrances, together with all licenses or permits that may be assigned or transferred. You will be responsible for all sales and other transfer taxes.

19. DISPUTE RESOLUTION

19.1 Resolution of Disputes.

A. Mediation. Except as provided in Section 19.1.A.(ix). (Exceptions to Duty to Mediate Disputes), no party may bring any form of action or arbitration seeking enforcement or any other legal remedy founded on this Agreement until the dispute has been submitted to a mediation proceeding conducted according to the procedures in this Section 19.1.

(i) Either party may initiate a mediation proceeding (the “Initiating Party”) by notifying American Arbitration Association, with offices in Los Angeles, California (“the Mediation Service”) in writing, with a copy to the other party (the “Responding Party”). The notice will describe with specificity the nature of the dispute and Initiating Party’s claim for relief. Thereon, both parties will engage in the mediation, which will be conducted according to the Mediation Service’s then current rules, but in a conflict between those rules and this Agreement, this Agreement controls.

(ii) The mediation will be conducted by a single mediator with no past or present affiliation or conflict with any party to the mediation. The parties agree that the mediator and Mediation Service’s employees will be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute that is the subject of the mediation.

(iii) On receipt of the written mediation demand, the Mediation Service will provide the parties with a list of mediators willing to serve. If the parties do not agree on a mediator, and so advise the Mediation Service in writing, within 10 days of receipt of the list, the Mediation Service will appoint the mediator. The fees and expenses of the Mediation Service, including (without limitation) mediator’s fee, will be shared equally by the parties. Each party will bear its own attorneys fees and other costs incurred in the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.

(iv) The mediation proceeding will begin within 30 days after selection of the mediator or as soon as possible as agreed by both parties. Regardless of whether we or you are the Initiating Party, the mediation will be conducted at our offices, unless we and you agree on a mutually acceptable alternative location.

(v) At least 7 days before the first scheduled session of mediation, each party will deliver to the mediator and to the other party a concise written summary of its position regarding the matters in dispute and Initiating Party’s claims for relief, and all other matters the mediator requires.

(vi) The parties will participate in good faith in the mediation with the intention of resolving the dispute, if possible. The parties agree, however, that the mediator’s recommendations and decision will not be binding on the parties. During the mediation, the mediator may have joint and separate meetings with the parties and their counsel, at the mediator’s discretion. The mediation will continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes and informs the parties in writing that further efforts would not be useful, or the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation proceeding.

(vii) At the mediator’s discretion, or on either party’s request, the mediator will provide a written evaluation of each party’s claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

(viii) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and Mediation Service's employees, are confidential. Any offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible will not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

(ix) Exceptions to Duty to Mediate Disputes. The obligation to mediate will not apply to: any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, claim and delivery, or any other orders that a court may issue when deemed necessary in its discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending completion of a mediation and/or arbitration proceeding. The party awarded interim or injunctive relief will not be required to post bond; or any claim by us or the holder of rights under any Lease or Sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under the Addendum to Lease.

B. Arbitration. Except as stated in Section 19.1.E. (Excepted Disputes) of this Agreement, all disputes between you, your affiliates, Owners, guarantors, and/or your or your affiliates' officers, directors, and employees, on the one hand, and us, our affiliates, and/or our or our affiliates' officers, directors and employees, on the other hand, relating to this Agreement, our relationship with you, or your Franchised Business, will be resolved by binding arbitration. The arbitration proceeding will be conducted by one arbitrator and, except as this Section 19.1 otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association (the "AAA"). All arbitration proceedings will be held at AAA's offices or other suitable offices that we select in the metropolitan area in which our principal place of business is then located. The arbitrator has no authority to select a different hearing locale. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.).

C. Individual Actions. We and you agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between us and you may not be consolidated with any other arbitration proceeding between us and any other person. Notwithstanding the foregoing or anything to the contrary in this Section 19.1, if any court or arbitrator determines that this prohibition on class-wide arbitration is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 19.1, then the parties agree that this arbitration clause will not apply to that dispute and that dispute will be resolved in a judicial proceeding in accordance with Section 19.1.E. (Excepted Disputes).

D. Relief. The arbitrator has the right to award or include in his or her award any relief that he or she deems proper, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and reasonable attorneys' fees and costs, provided that the arbitrator may not declare any Mark generic or otherwise invalid or, except as provided in Section 19.1.G. (Waiver of Punitive Damages), award any special, consequential, exemplary, or punitive damages against either party (we and you waive, to the fullest extent permitted by law, except as expressly provided in Section 19.1.G. below, any right

to or claim for any special, consequential, exemplary, or punitive damages against the other).

E. Excepted Disputes. The following disputes will not be resolved through arbitration unless we consent to arbitration: (i) disputes that arise under or are related to the Lanham Act, as now or later amended; (ii) disputes that otherwise relate to the ownership or validity of any of the Intellectual Property; (iii) disputes that involve enforcement of our intellectual property rights or protection of our Confidential Information or Trade Secrets; or (iv) disputes related to the payment of sums you owe us or our affiliates. Any litigation under this subsection will be filed exclusively in the United States District Court for the district in which we have our principal place of business at the time of filing, and you irrevocably consent to this court's jurisdiction over you.

F. Binding Decision. The decision and award of the arbitrator will be final, conclusive, and binding on all parties regarding any claims, counterclaims, issues, or accountings presented or pled to the arbitrator, and judgment on the award, including any partial, temporary or interim award, may be entered in any court of competent jurisdiction. The parties agree that the arbitrator may award interest from the date of any damages incurred for breach or other violation of this Agreement, and from the date of the award, until paid in full, at a rate to be fixed by the arbitrator, but in no event less than 2.5% per annum above the Citibank Preference Rate quoted for the corresponding periods, as reported in The Wall Street Journal, or the maximum rate permitted by applicable law, whichever is less.

G. Waiver of Punitive Damages. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 13.1 (INDEMNIFICATION), CLAIMS FOR YOUR INFRINGEMENT OF OUR INTELLECTUAL PROPERTY, AND CLAIMS FOR YOUR BREACH OF YOUR OBLIGATIONS UNDER SECTION 15.2 (PROTECTION OF CONFIDENTIAL INFORMATION AND TRADE SECRETS) OF THIS AGREEMENT, NEITHER PARTY IS ENTITLED TO RECOVER SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES UNDER THIS AGREEMENT.

H. Injunctive Relief. Notwithstanding our agreement to arbitrate, either party has the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction with respect to any dispute subject to arbitration; provided, however, that such party must contemporaneously submit the dispute for arbitration on the merits as provided in this Section 19.1. In addition to any other relief available at law or equity, we have the right to obtain restraining orders or temporary or permanent injunctions to: (i) enforce, among other matters, the provisions of this Agreement related to the System; (ii) enforce your obligations on termination or expiration of this Agreement; and (iii) prohibit any act or omission by you or your employees that is a violation of applicable Law or that threatens the Intellectual Property.

19.2 Cumulative Rights and Remedies. Except as otherwise stated in this Agreement, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law. Every remedy is in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

19.3 Attorneys' Fees. You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees): (i) to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners (whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in any court or formal legal proceeding); and (ii) in the defense of any claim you and/or the Owners assert against us on which we substantially prevail in court or other

formal legal proceedings. We agree to reimburse you for all expenses you reasonably incur (including attorneys' fees) in the defense of any claim we assert against you on which you substantially prevail in court or other formal legal proceedings.

19.4 Limitation of Claims. EXCEPT FOR CLAIMS ARISING FROM (i) YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, (ii) YOUR COMPLIANCE WITH ANY POST-TERMINATION OBLIGATIONS, OR (iii) ANY VIOLATION OF OUR INTELLECTUAL PROPERTY RIGHTS, ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU ARE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS BEGUN WITHIN 24 MONTHS FROM THE DATE ON WHICH THE ACT, CONDUCT, EVENT, OR OCCURRENCE GIVING RISE TO THE CLAIMS OCCURS, REGARDLESS OF WHEN THE CLAIMS WERE, OR SHOULD HAVE BEEN, DISCOVERED.

19.5 Waiver of Jury Trial. WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

20. MISCELLANEOUS

20.1 Relationship of Parties. You are an independent contractor. Nothing in this Agreement is intended to or does in fact or law make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose. This Agreement does not create a fiduciary relationship between us. Further, we and you are not and do not intend to be partners, associates, or joint employers in any way, and we will not be construed to be jointly liable for any of your acts or omissions under any circumstances. Although we retain the right to establish and modify the Standards that you must follow, you retain the responsibility for the day-to-day management and operation of the Franchised Business and implementing and maintaining Standards at the Franchised Business. To the extent that the Manuals or Standards contains employee-related policies or procedures that might apply to your employees, those policies and procedures are provided for informational purposes only and do not represent mandatory policies and procedures that you must implement. You must determine to what extent, if any, these policies and procedures may be applicable to your operations at the Franchised Business. You and we recognize that we neither dictate nor control labor or employment matters for franchisees and that you, and not us, are solely responsible for dictating the terms of employment for your employees. We have no relationship with your employees and you have no relationship with our employees.

20.2 No Right to Bind; No Liability.

A. No Right to Bind. You will not use the Marks in signing any contract, instrument, application for any license or permit, or legal obligation, or in a manner that may result in liability to us for your obligations, except as this Agreement authorizes. Except as this Agreement authorizes, neither of us will make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name of or on behalf of the other or represent that the relationship between you and us is other than that of franchisor and franchisee.

B. No Liability. Except when another entity guarantees our obligations under this Agreement (the “**Guaranteeing Entity**”) as may be provided for in our FDD, you agree that no past, present or future director, officer, employee, incorporator, member, manager, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, Supplier, agent, attorney, or representative of ours (other than the Guaranteeing Entity, but only to the extent of the terms of the guaranty) will have any liability for (i) any of our obligations or liabilities relating to or arising from this Agreement, (ii) any claim against us based on, in respect of, or by reason of, the relationship between you and us, or (iii) any claim against us based on our alleged unlawful act or omission.

20.3 General Release. In consideration of our agreement to enter into this Agreement, you, for yourself (and if you are an Entity, for purposes of this Section “you” and “your” includes you as an Entity and your directors, officers, owners, shareholders, partners, members, managers, representatives, employees, agents, and attorneys) and for each and all of your affiliates and each affiliates’ directors, officers, owners, shareholders, partners, members, managers, representatives, employees, agents and attorneys, together with the predecessors, successors, heirs and assigns of each of the foregoing (individually, collectively and in any combination, the “Releasing Parties”), release and forever discharge the Released Parties of and from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, agreements, controversies, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or equity, whether known or unknown, that the Releasing Parties, ever had, now have, or that the Releasing Parties hereafter can or may have for, on or by reason of any matter, cause or thing whatsoever, arising before and including the Effective Date. This release does not apply to any claims arising from representations made in the FDD (including its exhibits) that we delivered to you or your representative.

You waive all rights you may have under section 1542 of the California Civil Code. Section 1542 provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Being fully informed of this provision of the Civil Code, you waive any rights under that section, and acknowledge that this release extends to all claims you have or might have against us, whether known or unknown.

20.4 Force Majeure. A “**Force Majeure**” is any occurrence, event, or condition beyond your or our reasonable control that is not reasonably foreseeable and cannot reasonably be avoided, which may include an (a) act of God, terrorism, war, insurrection, civil commotion, chemical or nuclear contamination, strike, epidemic, pandemic, or embargo; (b) lack of water, materials, or power specified or reasonably necessary for the operation of your Franchised Business or our business; (c) fire, hurricane, tornado, earthquake, flood, or other unavoidable property casualty; or (d) act or order by a governmental authority (not limited to or caused by the party asserting the Force Majeure) that prevent or materially hinder or delay either party from providing services under this Agreement. If a Force Majeure occurs, provided that the party promptly provides the other party with written notice of the Force Majeure, the party so affected will be relieved of its respective obligations to the extent that that party is necessarily prevented, or materially hindered or delayed, in performance during the period of the Force Majeure, except a Force Majeure does not relieve a party of any (i) payment obligations for monies owed, (ii)

obligations that existed before the start of the period of the Force Majeure, (iii) obligations that start after the period of Force Majeure, or (iv) other obligations that are not necessarily prevented, or materially hindered or delayed during the period of the Force Majeure.

20.5 Notices. All notices required or permitted under this Agreement must be in writing, and must be personally delivered or mailed by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery service, to us at the address stated in Schedule A and to you at the address stated in Schedule A. The addresses for notices may be changed at any time by either party by written notice given to the other party as provided in this Section. Notices are deemed received the same day when delivered personally or on attempted delivery when sent by registered or certified mail or overnight delivery service.

20.6 Compliance with Anti-Terrorism Laws. You and your Owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. **“Anti-Terrorism Laws”** mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners’ assets under the Anti-Terrorism Laws, constitutes good cause for immediate termination of this Agreement, as provided in Section 17.2.H. (violation of law relating to terrorist activities).

20.7 Personal Guaranty and Spousal Consent. All Owners must sign our form of Personal Guaranty. If you or any of your Owners is a married individual and the party’s spouse is not a party to this Agreement, Franchisee’s spouse must sign our form of Spousal Consent.

21. CONSTRUCTION

21.1 Waiver or Delay. Except as otherwise stated in this Agreement, no waiver of, or delay in requiring strict compliance with any obligation of this Agreement, or the exercise of any right or remedy in this Agreement, and no custom or practice at variance with the requirements of this Agreement, constitutes a waiver or modification of any obligation, right, or remedy, or precludes the exercise of any right or remedy or the right to require strict compliance with any obligation in this Agreement, or will preclude, affect, or impair enforcement of any right or remedy in this Agreement with respect to any later default.

21.2 Entire Agreement; Amendments. The term “Agreement” as used in this Agreement includes all schedules attached to this Agreement and amendments to this Agreement, if any. This Agreement states the entire agreement between you and us related to the subject matter of this Agreement and fully replaces all prior agreements, representations, or understandings between you and us, whether oral or written, related to the subject matter of this Agreement. Except as otherwise stated in this Agreement, this Agreement may be amended only by a written document signed by you and us. Notwithstanding, nothing in this Agreement will disclaim or require you to waive reliance on any representation we make in our most recent FDD (including exhibits and amendments) delivered to you or your representative.

21.3 Operating, Developing, and Changing the System. We have the right to operate, develop, and change the System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and our judgment of what is in our and/or the System's best interests at the time our decision is made, without regard to either whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision promotes our financial or other individual interest.

21.4 Survival of Obligations. Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive the expiration, termination, or Transfer, including, but not limited to, Sections 9 (Intellectual Property), 13.1 (Indemnification), 15 (Confidential Information; Restrictive Covenants), 18 (Obligations on Expiration or Termination), and 19 (Dispute Resolution).

21.5 Applicable Law. Except as provided in Section 15.6 (Modification) and below, this Agreement, including, but not limited to, the making of it, will be governed by, construed and enforced in accordance with the laws of the State of California, including, but not limited to, laws applicable to agreements made and to be entirely performed in California, without giving effect to California's choice of law or conflict of laws principles. However, the provisions of the California Franchise Investment Law and the California Franchise Relations Act, and any successor or similar legislation regulating the offer or sale of franchises, business opportunities, or similar interests, or governing the relationship between a franchisor and a franchisee or any similar relationship, will not apply under any circumstances unless their jurisdictional requirements and definitional elements are met independently, without reference to this Section, and no exemption to their application exists.

21.6 Severability. If, for any reason, any portion, section, part, term, provision and/or covenant of this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this will not impair the operation of, or have any other effect on, other portions, sections, parts, terms, provisions and/or covenants of this Agreement as remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties to this Agreement; and the invalid portions, sections, parts, terms, provisions and/or covenants will be deemed not to be a part of this Agreement.

21.7 Time. Time is of the essence to this Agreement.

21.8 Construction. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions. Unless otherwise specified, all references to a number of days means calendar days and not business days. The words "**include**," "**including**," and words of similar import are interpreted to mean "including, but not limited to" and the terms following these words are interpreted as examples of, and not an exhaustive list of, the appropriate subject matter.

21.9 Execution in Counterparts. This Agreement may be signed in two or more counterparts, each of which is deemed an original, and all of which constitute one and the same instrument.

21.10 Successors and Assigns. Except as expressly otherwise provided in this Agreement, this Agreement is binding on and inures to the benefit of the parties and their respective heirs, executors, legal representatives, successors, and permitted assigns.

21.11 Additional Terms; Inconsistent Terms. The parties may provide additional terms by including the terms on Schedule A. To the extent that any terms or provisions on Schedule A are in direct conflict with the terms or provisions of this Agreement, the terms or provisions on Schedule A control.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has signed this Agreement under seal as of the Effective Date.

FRANCHISOR:

Yoshinoya America, Inc.,
a Delaware corporation

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

_____,
a _____

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE A FRANCHISE SPECIFIC TERMS

1. **“Effective Date”** means: _____
2. **“Franchisor”** means: Yoshinoya America, Inc., a Delaware corporation
3. **“Franchisee”** means: _____, jointly and severally
4. **Recital A: “Approved Products”** means Japanese foods that include rice bowls of any kind that we approve, and other food products, beverage products, and related services we approve.
5. **Recital A: The “Primary Mark”** is: YOSHINOYA®
6. **Section 1.1 (Accepted Location):** The Accepted Location means:

[OR]

a location to be determined and added to this Agreement located in the following Site Selection Area: _____.

7. **Section 1.4.A. (Owners of Equity):** Below is a complete list of your Owners and breakdown of your ownership structure:

OWNERS:	PERCENTAGE OWNED:

8. **Section 3.1 (Initial Franchise Fee):** The Initial Franchise Fee is \$27,500.
9. **Section 3.2.A. (Royalty Fee):** The Royalty Fee is 5.5% of the Net Sales of the Franchised Business, payable each week on the Net Sales of the Franchised Business for the week before the preceding week (or on any other basis stated in the Manuals or in our written notice to you). If you own more than one operating Franchised Business, the Royalty Fee is 5% of the Net Sales.
10. **Section 3.2.B. (Marketing Fee):** The Marketing Fee will be in an amount we determine, in our sole discretion, which will not exceed 5% of the Net Sales of the Franchised Business, payable each week on the Net Sales of the Franchised Business for the week before the preceding week (or on any other basis stated in the Manuals or in our written notice to you).
11. **Section 3.2.C. (Technology Fee):** The Technology Fee, if implemented, will be in an amount we determine, in our sole discretion, payable monthly on our invoice (or on any other basis stated in the Manuals or in our written notice to you).

12. **Section 4.1 (Reserved Rights):** The following provision is added to Section 4.1 of the Agreement.

A. Protected Territory. We grant you a protected territory in which you have certain limited exclusive rights (an “**Protected Territory**”). [Your Protected Territory is: a 0.2 mile radius from the Accepted Location with the Accepted Location as the center point.] [OR] [We will designate, in our sole discretion, your Protected Territory after we accept the Proposed Location as the Accepted Location. When we designate the Protected Territory for the Franchised Business, you must sign standard documentation we prepare, which includes a general release, to document the Protected Territory.] If you relocate the Franchised Business under Section 5.5 (Relocation of the Franchised Business), we will specify a Protected Territory for the new location.

13. **Section 6.5 (Opening and Development Deadlines):**

EVENT	COMPLETION DEADLINE
Site Approval Deadline (Section 6.5.A.)	Within 150 days after the Effective Date
Construction Start Deadline (Section 6.5.B.)	Within 270 days after the Effective Date
Opening Deadline (Section 6.5.C.)	Within 360 days after the Effective Date

14. **Section 10.1.C. (Grand Opening Fee):** Your Grand Opening Fee is \$12,000.
15. **Section 10.1.E. (Local Marketing Obligation):** Your Local Marketing Obligation, if implemented, will be up to 2% of the Net Sales of your Franchised Business per calendar quarter.
16. **Section 11.1.A (Required Trainees):** The Required Trainees include two Managers and any other persons that we designate.
17. **Section 11.1.B (Training Fees):** We will provide the Management Training Program at no additional charge for any Required Trainees for the first two Franchised Businesses that you or your affiliates operate. For the third and subsequent Franchised Businesses that you or your affiliates operate, if we require you or you elect to receive the Management Training Program from us or our designee, you must pay us our then-current initial training fee for all of your Required Trainees to attend in a single training session.
18. **Section 11.1.D (Completion of Training):** All of your Required Trainees must successfully complete the Management Training Program at least one week before you are scheduled to open your Franchised Business.
19. **Section 11.2 (On-Site Training):** About 7 days after you obtain the Certificate of Occupancy for your first 3 Franchised Businesses (including Franchised Businesses owned by your affiliates), we will provide you, at the Franchised Business and at our cost, one or more of our representatives to facilitate the opening of the Franchised Businesses.

20. Section 12.7 (Your Participation; Manager): Your Franchised Business must employ at least 2 Managers before the Opening Date until the 90th day after the Opening Date and at least one Manager thereafter.

21. Section 13.2 (Required Insurance): Currently, you must obtain and maintain the following coverage:

- A. Comprehensive General Liability Insurance, including Products & Completed Operations coverage with limits not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate with a maximum \$5,000 deductible per occurrence;
- B. Statutory Workers' Compensation insurance as required by applicable law;
- C. Automobile Liability insurance with a combined single limit of \$1,000,000 for any owned, hired, or non-owned automobile used in connection with the Franchised Business;
- D. "Follow Form" Umbrella/Excess Liability Policy with limits not less than \$2,000,000 per occurrence and in the aggregate that is in excess of items 1, 2, 3 (employer's liability insurance only), and 4 above;
- E. Business Property Insurance that extends coverage on a replacement cost basis for business personal property including electronic equipment, tenant improvements and betterments, and business income and extra expense, with covered causes of loss as "Special" or "All Risk" with coinsurance conditions not less than 80%, and further, if you are in a location that resides in FEMA Flood Zones beginning with the letters "A" or "V", coverage for Flood;
- F. Employment Practices Liability insurance with limits not less than \$1,000,000 per employee and \$1,000,000 per accident;
- G. Data theft and cyber liability insurance with limits not less than \$1,000,000; and
- H. Other insurance required by an applicable state or local authority.

If you obtain a claims made policy, you must provide a tail coverage policy for no less than one year after the expiration or termination of this Agreement or the closure of the Franchised Business, whichever occurs first. The tail coverage limits must be equal to, or greater than, the limits provided in the prior policy.

22. Section 15.4 (Restrictive Covenants): A "Competing Product" includes any product that is denominated as a "Bowl" or and any Japanese foods that include rice bowls of any kind or that is the same as or similar to any other main course Approved Products.

23. Section 20.5 (Notices):

The notice address for us is: Yoshinoya America, Inc., 991 Knox Street, Torrance, California 90502; franchising@yoshinoyaamerica.com.

The notice address for you is:

24. Section 21.11 (Additional Terms; Inconsistent Terms): The following additional terms amend the applicable Sections of the Agreement:

[Additional terms to be added if needed]

[Schedule A Signature Page Follows]

Signature Page for Schedule A (Franchise Specific Terms)

FRANCHISOR:

Yoshinoya America, Inc.,
a Delaware corporation

FRANCHISEE:

_____,
a _____

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE B
CALIFORNIA STATE LAW ADDENDUM TO FRANCHISE AGREEMENT

In recognition of the requirements of the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, the Franchise Agreement, for franchises offered and sold in the State of California or to California residents, is amended to include the following:

1. Section 16.3.I. of the Franchise Agreement is amended by adding the following punctuation and language at the end of such sections, before the period: “; provided, however, this release will not apply to claims as you may have under the California Franchise Investment Law and the California Franchise Relations Act.”

2. Section 20.3. of the Franchise Agreement is amended by adding the following “However, this release will not apply to claims as you may have under the California Franchise Investment Law or any rules or orders under this law.”

3. Section 21.2 (Entire Agreement; Amendments) of the Franchise Agreement is amended by adding the following: “Nothing in this Section will disclaim any of the information in the FDD (or its attachments/addenda) delivered to you immediately before you signed this Agreement.”

4. If any of the provisions of the Franchise Agreement concerning termination are inconsistent with either the California Franchise Relations Act or the Federal Bankruptcy Code (concerning termination of the Agreement on certain bankruptcy-related events), then the Federal Bankruptcy Code applies.

5. The Franchise Agreement and Area Development Agreement require non-binding mediation, and if that process does not result in resolution, then by binding arbitration. The mediation will occur at our offices in Torrance, California and arbitration will occur in Los Angeles, California with the prevailing party’s costs and expenses to be borne by the other party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

6. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

7. You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). California Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

8. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

9. Both the governing law and choice of law for franchisees operating outlets located in California, will be the California Franchise Investment Law and the California Franchise Relations Act regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the franchise agreement or amendment to or any agreement to the contrary is superseded by this condition.

10. 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.

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

[Copy Signature Block From Franchise Agreement]

EXHIBIT D

AREA DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

	<u>Page</u>
1. DEVELOPMENT RIGHTS AND OBLIGATIONS	1
1.1 Grant of Rights	1
1.2 Territorial Rights Fee	1
1.3 Developer's Territory	1
1.4 Company's Reserved Rights in Developer's Territory	2
1.5 Further Agreements Re Company's Reserved Rights	2
1.6 Licensing Others Prohibited	3
2. DEVELOPMENT TERM	3
3. DEVELOPMENT OBLIGATIONS	3
3.1 Development Quota; Development Deadline	3
3.2 Failure to Meet Development Conditions	3
3.3 Closures	3
4. GRANT OF FRANCHISES TO DEVELOPER	3
4.1 Site Selection and Designation of Territory	3
4.2 Franchise Agreement	4
5. YOSHINOYA MARKS AND YOSHINOYA SYSTEM	5
6. FULL TIME AND ATTENTION	5
7. TERMINATION OF DEVELOPMENT AGREEMENT BY COMPANY	5
7.1 Procedure for Terminating Agreement	5
7.2 Effect of Termination on Franchise Agreements	6
8. TRANSFER	6
8.1 Assignment by Company	6
8.2 Assignment by Developer	7
8.3 Company's Right of First Refusal	7
8.4 Conditions of Assignment to Third Party	8
8.5 Additional Conditions Re Sale of Securities	10
8.6 Closing of Sale to Third Party	10
8.7 Corporate/Entity Developer	10
8.8 Death or Incapacity	11
8.9 Transfer of Individual Franchise Agreements	11
9. RELATIONSHIP OF PARTIES	11
9.1 Independent Contractor	11
9.2 No Liability	11
9.3 Indemnification	11
10. PERSONAL GUARANTY	12
10.1 Personal Guaranty Form	12
10.2 Spouse	12
11. DISPUTE RESOLUTION	12
11.1 Agreement to Mediate Disputes	12
11.2 Interim Relief	13
11.3 Arbitration	13
11.4 Choice of Law	14
11.5 Limitations Period	14
11.6 Punitive or Exemplary Damages	14
11.7 Attorneys' Fees	14

12.	MISCELLANEOUS	14
12.1	Notices.....	14
12.2	Time of the Essence	14
12.3	Withholding of Consent.....	15
12.4	Waiver	15
12.5	Capitalized Terms	15
12.6	Section Headings; Language	15
12.7	Binding on Successors	15
12.8	Validity; Conformity with Applicable Law	15
12.9	Amendments.....	16
12.10	Complete Agreement	16
12.11	Covenant and Condition.....	16
12.12	Submission of Agreement	16
12.13	Spousal Consent.....	16

LIST OF EXHIBITS

EXHIBIT 1	- Description of Developer's Territory
EXHIBIT 2	- Development Quota
EXHIBIT 3	- Franchise Agreement
EXHIBIT 4	- Personal Guaranty
EXHIBIT 5	- Spousal Consent

**YOSHINOYA AMERICA, INC.
AREA DEVELOPMENT AGREEMENT**

This **AREA DEVELOPMENT AGREEMENT** ("Agreement") is made and entered into on _____, 20____ by and between YOSHINOYA AMERICA, INC., a Delaware corporation ("Company") and _____ ("Developer"), with reference to the following facts:

RECITALS

A. Company owns a distinctive system (the "YOSHINOYA System") for the establishment, operation and promotion of quick-service restaurants which feature freshly prepared, high quality Japanese style foods and use uniform operating methods and proprietary information and trade secrets developed by or for Company (collectively, "YOSHINOYA Restaurants" and individually, a "YOSHINOYA Restaurant").

B. Company has rights to the names YOSHINOYA and YOSHINOYA BEEF BOWL and to other distinctive marks, logos and commercial symbols which identify YOSHINOYA Restaurants (collectively referred to as the "YOSHINOYA Marks").

C. Company grants to persons who are able to meet Company's qualifications and will undertake the necessary investment and effort, and Developer has applied for, the right to develop and operate a mutually agreed-upon number of YOSHINOYA Restaurants within a designated geographic area, pursuant to the YOSHINOYA System and the further requirements and obligations in this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. **DEVELOPMENT RIGHTS AND OBLIGATIONS.**

1.1 **Grant of Rights.** Company grants Developer, and Developer accepts, the exclusive right to develop YOSHINOYA Restaurants in the geographic area described on attached Exhibit "1" ("Developer's Territory"), on the terms and subject to the conditions of this Agreement.

1.2 **Territorial Rights Fee.** On execution of this Agreement, Developer shall pay to Company a territorial rights fee of _____ Dollars (\$_____) (the "Territorial Rights Fee") equal to the sum of: (i) \$13,750, (ii) multiplied by the number of YOSHINOYA Restaurants in the Development Quota (defined below) less one. (Example: If the Development Quota is 10 YOSHINOYA Restaurants, the Territorial Rights Fee is \$137,500.)

1.2.1 Developer acknowledges that \$13,750 represents 50% of the current Initial Franchise Fee of \$27,500 that Company charges for a single unit franchise pursuant to Company's form of Franchise Agreement attached as Exhibit "3."

1.3 The Territorial Rights Fee is fully earned by Company when paid. It represents consideration for Company's administrative and other expenses incurred, and for development opportunities lost or deferred, in granting development rights to Developer. The Territorial Rights Fee is not refundable in any circumstance or for any reason.

1.3.1 Developer's Territory. During the Development Term (defined below), provided Developer is not in default under this Agreement, Company shall not engage in the following activities in Developer's Territory:

1.3.2 Operate, or grant others the right to operate, a restaurant in Developer's Territory whose principal name is Yoshinoya.

1.3.3 If Company, in the future, adds a delivery program to the YOSHINOYA System, not to engage, or permit others to engage, in delivery services of branded menu items sold at YOSHINOYA Restaurants to consumers located in Developer's Territory.

1.4 Company's Reserved Rights in Developer's Territory. Nothing in this Agreement prohibits Company from engaging in the following activities in Developer's Territory, and Developer understands, acknowledges and agrees it has no right to engage in such activities on its own or participate, directly or indirectly, in such activities to the extent Company engages in any of them:

1.4.1 Operating or permitting others to operate restaurants that are not Yoshinoya branded restaurants, even in Developer's Territory;

1.4.2 Selling (or permitting others to sell) any menu items sold at YOSHINOYA Restaurants, or ingredients used to prepare foods sold at YOSHINOYA Restaurants, under the YOSHINOYA Marks or under other names, to restaurants, convenience stores, grocery stores, specialty food stores, or department stores selling foods or ingredients located in Developer's Territory. For illustration only, the foregoing permits Company to prepare on third-party premises and sell, or authorize others to prepare and sell, ready-to-eat, ready-to-serve or ready-to-cook foods and ingredients under the YOSHINOYA Marks or under other names from such locations in Developer's Territory;

1.4.3 Selling (or permitting others to sell) any menu items sold at YOSHINOYA Restaurants, or operating (or granting others the right to operate) YOSHINOYA Restaurants, or restaurants under other names located at, or within, any mall, school, airport, rail or bus terminal, stadium, sports arena, race track, amusement park, public park, theater, military base, hospital or health care facility, educational facility, high density office location or other mass gathering place entirely or partially in Developer's Territory;

1.4.4 Selling (or permitting others to sell) menu items sold at YOSHINOYA Restaurants, or ingredients used to prepare foods sold at YOSHINOYA Restaurants, under the YOSHINOYA Marks or other names from mobile units or carts, kiosks, vending machines, or other mobile or stationery devices which occupy less than 100 feet in Developer's Territory; or

1.4.5 Advertising and promoting the sale of, and selling, menu items sold at YOSHINOYA Restaurants through the Internet or by using any other public computer network, electronic communication method, or by mail order, catalog sales or comparable methods that solicit orders and business from customers without requiring the customer's physical presence in a YOSHINOYA Restaurant to complete the transaction.

1.5 Further Agreements Re Company's Reserved Rights. Developer acknowledges that Company, entities related to Company through common ownership (collectively, "Company's Affiliates"), and their respective officers, directors, employees and agents, may engage in any, and every, activity, within or outside of Developer's Territory, which is not expressly prohibited by

this Agreement. Except for the restrictions in Section 1.3, this Agreement does not limit Company's right to use or license the YOSHINOYA Marks or the YOSHINOYA System, or to engage in, or license, any other type of business activity, whether similar to or different from the YOSHINOYA System. Additionally:

1.5.1 Developer understands, acknowledges and agrees it has no right to participate, directly or indirectly, in any activity reserved by Company, and no right to object to the issuance of franchise rights to others.

1.5.2 Company, in its sole discretion, reserves the absolute right to approve exceptions or deviations from the YOSHINOYA System. Developer acknowledges it has no right to object to any variances granted to others and no claim against Company for failing to enforce standards of the YOSHINOYA System against others permitted to use it.

1.6 Licensing Others Prohibited. Developer shall have no right under this Agreement to license others to use the YOSHINOYA Marks or the YOSHINOYA System.

2. DEVELOPMENT TERM.

The term of this Agreement ("Development Term") starts on the date written on page 1. Unless this Agreement is earlier terminated as provided below, the Development Term expires on the earlier of the following 2 dates: (i) the date specified for opening the last YOSHINOYA Restaurant as set forth on Exhibit "2", or (ii) the date the last YOSHINOYA Restaurant permitted to be open pursuant to this Agreement actually opens for business to the public.

3. DEVELOPMENT OBLIGATIONS.

3.1 Development Quota; Development Deadline. Developer agrees to open and operate, within Developer's Territory, the number of YOSHINOYA Restaurants set forth on Exhibit "2" (the Development Quota) from and after each point in time set forth on Exhibit "2" (each deadline identified on Exhibit "2" for fulfilling a Development Quota is referred to as a "Development Deadline").

3.2 Failure to Meet Development Conditions. If Developer does not satisfy a Development Quota by the applicable Development Deadline, Company may terminate this Agreement and the consequences of termination, stated in this Agreement shall apply.

3.3 Closures. If a YOSHINOYA Restaurant permanently closes for any reason after opening, and as a result of closure Developer falls below the Development Quota applicable at the time of closure, Developer shall have 6 months from the closing date to open a substitute YOSHINOYA Restaurant within Developer's Territory in its place.

4. GRANT OF FRANCHISES TO DEVELOPER.

4.1 Site Selection and Designation of Territory. Following execution of this Agreement, Company shall provide Developer with a copy of Company's current site proposal package guidelines, including the demographic, design and construction guidelines for selection and build-out of the franchise location and other requirements applied by Company in connection with site review and approval. Thereafter, during the Development Term, Company shall provide Developer with all updates to such information which may be made from time to time. Unless specific locations are identified on Exhibit "2", Developer shall propose to Company, for its approval, specific locations in Developer's Territory for each YOSHINOYA Restaurant which

Developer believes meets Company's site proposal package guidelines. Each location proposed by Developer shall be subject to Company's approval, which Company shall not unreasonably withhold. Before Company shall be obligated to offer Developer a Franchise Agreement for any proposed location, Developer shall comply with all of the following conditions:

4.1.1 Developer shall submit a written site proposal to Company, which shall contain all the information required by Company's then-current site proposal package guidelines.

4.1.2 Company shall have 21 days following receipt of the completed site proposal to approve the proposed site by giving written notice to Developer; Company's failure to give timely notice shall constitute its disapproval of the proposed site. Developer acknowledges that Company's approval of a proposed site does not constitute a guaranty or warranty that a YOSHINOYA Restaurant located at that site will be successful or profitable; such approval signifies that the site meets Company's then-current site proposal package guidelines.

4.1.3 If Company approves the proposed site, it will identify in its notice of approval the proposed exclusive territory assigned to that YOSHINOYA Restaurant. Developer may disapprove the proposed exclusive territory by giving written notice of disapproval to Company within 5 days after receipt of Company's notice; otherwise, Developer is conclusively deemed to accept such boundaries. If Developer gives timely notice that it disapproves the proposed boundaries, the parties shall negotiate in good faith to identify mutually acceptable boundaries for the proposed exclusive territory to be assigned to the subject YOSHINOYA Restaurant consistent with Company's policies concerning the size and demographic qualities of franchisee territories; provided, however, if the parties cannot agree upon such boundaries within 30 days after Developer receives Company's notice of site approval, the proposed site shall be deemed disapproved.

4.2 Franchise Agreement. If the parties agree on the proposed location and exclusive territory for a YOSHINOYA Restaurant, Company shall offer Developer a franchise to operate a YOSHINOYA Restaurant at that location by delivering to Developer a Franchise Agreement for such site.

4.2.1 The form of Franchise Agreement for each franchise offered, and granted, by Company pursuant to this Agreement shall be Company's then current form of Franchise Agreement offered by Company to franchisees (the "Franchise Agreement"), except that the following provisions of the Franchise Agreement shall not apply, and instead the parties agree as follows:

4.2.1.1 The Initial Franchise Fee for each YOSHINOYA franchise shall be determined based on the total number of YOSHINOYA Restaurants which Developer develops in the Territory in accordance with the following chart. Company shall credit Franchisee with \$13,750 toward the applicable Initial Franchise Fee, being a portion of the Territorial Rights Fee previously paid.

A. YOSHINOYA Restaurant	B. Initial Franchise Fee	C. Less Territorial Rights Fee	D. Balance Due (Column B – Column C)
1	\$27,500 (100%)	<\$13,750>	\$13,750
2 and 3 each	\$22,000 (80%)	<\$13,750>	\$8,250
4 and 5 each	\$19,250 (70%)	<\$13,750>	\$5,500
6 & higher, each	\$13,750 (50%)	<\$13,750>	\$0

Company's current form of Franchise Agreement is attached hereto as Exhibit "3"; however, Developer acknowledges that Company's then current form of Franchise Agreement which Developer will be required to sign for each approved site may contain substantial differences in fees and other respects.

4.2.1.2 Within fifteen (15) days after receipt of the Franchise Agreement for an approved site, Developer shall execute the Franchise Agreement and return it to Company together with payment of the applicable Initial Franchise Fee determined in accordance with this Section 4.2. If Developer fails to comply with this obligation, Company shall have no obligation to sell a franchise for the approved site to Developer, and Developer has the risk of failing to satisfy the Development Quota on Exhibit "2."

4.2.2 Once the parties execute a Franchise Agreement for an approved site, their relationship, and the parties' rights and obligations, as to development, ownership and operation of that site, shall be exclusively governed by the Franchise Agreement and any other agreements entered into by them pursuant to the Franchise Agreement.

5. YOSHINOYA MARKS AND YOSHINOYA SYSTEM.

Developer acknowledges that this Agreement does not grant a franchise and does not grant Developer any right to use the YOSHINOYA Marks or the YOSHINOYA System, and that Developer's right to use the YOSHINOYA Marks and YOSHINOYA System is derived solely from each Franchise Agreement which may be entered into pursuant to this Agreement.

6. FULL TIME AND ATTENTION.

6.1 Developer shall devote full time and best efforts to the development obligations under this Agreement.

6.2 Developer shall cause Developer's principal owner or principal executive officer, or other principal officer acceptable to Company, to personally undergo and satisfactorily complete training in accordance with the training obligations in the first Franchise Agreement that Developer enters into with Company.

7. TERMINATION OF DEVELOPMENT AGREEMENT BY COMPANY.

7.1 Procedure for Terminating Agreement. Company may terminate this Agreement, in its discretion and election, effective on Company's delivery of written notice of termination to Developer (unless a different effective date is specified in this Agreement or in the notice of termination). Company's notice must specify the grounds of default and be based on any one or more of the following events, and Developer shall have no opportunity to cure a default based on any of the following events:

7.1.1 If Developer makes a general arrangement or assignment for the benefit of creditors or become a "debtor" as defined in 11 U.S.C. §101 or any successor statute, unless, in the case where a petition is filed against Developer, Developer obtains an order dismissing the proceeding within 60 days after the petition is filed; or if a trustee or receiver is appointed to take possession of all, or substantially all, the assets of any of Developer's YOSHINOYA Restaurants, unless possession of the assets is restored to Developer within 30 days following such appointment; or if all, or substantially all, of the assets of Developer become subject to an order of attachment, execution or other judicial seizure, unless the order or seizure is discharged within 30 days;

7.1.2 Developer breaches or fails to comply with any of the conditions governing transfer of rights under this Agreement;

7.1.3 If an order is made or resolution passed for winding-up or liquidation of Developer (if a corporation, LLC, partnership or other entity) or if Developer adopts or takes any action for its dissolution or liquidation;

7.1.4 If Developer, or any authorized representative of Developer, makes a material misrepresentation or omission in obtaining rights granted hereunder, or if Developer or any officer, director, shareholder, member, manager, or general partner of Developer is convicted of or pleads no contest to a felony charge or engages in any conduct or practice that, in Company's reasonable opinion, reflects unfavorably on or is detrimental or harmful to the good name, goodwill or reputation of Company or to the business, reputation or goodwill of the YOSHINOYA System or any of the YOSHINOYA Marks;

7.1.5 If Developer fails or refuses to pay, on or before the due date, any fee or other amount payable to Company under this Agreement, and if the default continues for a period of 10 days after written notice of default is given by Company to Developer;

7.1.6 If Developer fails to satisfy the Development Quota;

7.1.7 If any other agreement by and between Developer and Company or any of Company's Affiliates, including, without limitation, any Franchise Agreement for a YOSHINOYA Restaurant, is terminated for any reason;

7.1.8 After curing any default, if Developer engages in the same noncompliance, whether or not the later default is timely corrected after notice is delivered to Developer, or, alternatively, if on 3 or more occasions within any 24 consecutive months during the Development Term, if Developer fails to comply with one or more requirements of this Agreement whether or not each separate default (which need not be the same act of noncompliance) is timely corrected after notice is delivered to Developer;

7.1.9 If Developer fails to perform as required by Company under this Agreement or any other agreement between Developer and Company, or fails to meet operational standards of Company, or is not in good standing with Company, and Developer fails to correct the failure within 30 days after Company gives Developer written notice of the default and the action the Developer must take to cure the default; or

7.1.10 If Developer fails to comply with any other provision of this Agreement and does not correct the default within 30 days or such longer period required by law after Company gives Developer written notice of the default, which notice describes the action that Developer must take to cure the default.

7.2 Effect of Termination on Franchise Agreements.

7.2.1 If this Agreement is terminated by Company pursuant to Section 7.1, or if this Agreement expires, the parties agree that each Franchise Agreement, and every other agreement, then in effect by and between Developer and Company pertaining to a YOSHINOYA Restaurant owned by Developer shall remain in full force and effect, unless the grounds on which termination is predicated also are grounds for terminating the other agreement(s) and Company has satisfied all requirements to effect a termination of the other agreement(s).

7.2.2 If this Agreement is terminated or expires, Developer shall have no further right to develop YOSHINOYA Restaurants in Developer's Territory, nor shall Developer have any right to prevent Company, or others, from owning and operating, or granting franchises to others to own and operate, YOSHINOYA Restaurants in Developer's Territory, subject, however, to the territorial rights, if any, granted to Developer under each Franchise Agreement then in effect between the parties pertaining to a YOSHINOYA Restaurant owned by Developer.

8. TRANSFER.

8.1 Assignment by Company. This Agreement is fully assignable by Company and shall benefit Company's successors and assigns.

8.2 Assignment by Developer. The provisions of this Agreement are personal to Developer. Company enters into this Agreement in reliance on the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Developer, and, if Developer is a corporation, LLC or other entity, that of its officers, directors, shareholders, managers, members, trustees or owners. Accordingly, Developer agrees that:

8.2.1 Developer has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, the rights granted pursuant to this Agreement or any interest in this Agreement ("Transfer"), unless Developer obtains Company's prior written consent, which shall not unreasonably be withheld and shall be subject to the further conditions stated in this Section 8. The foregoing restrictions on Transfers include, without limitation, transfers due to consolidation or merger, issuance of additional securities representing an interest in the equity or voting interests of Developer, an order of dissolution of marriage, death of Developer or of the person owning a Controlling Interest (defined below) in the equity or voting interests of Developer, creation of a trust, or otherwise, all of which are considered interchangeable events of assignment or transfer for purposes of this Agreement;

8.2.2 If Developer is a corporation, LLC, partnership or other entity, then the Transfer of (i) more than a 1% interest in the outstanding securities of a Publicly Held Corporation, (ii) securities of Developer offered pursuant to a transaction which is subject to registration under federal or state securities laws or is offered as a private offering pursuant to a written private placement memorandum of any kind, or (iii) a Controlling Interest in the equity or voting interests of Developer which is not a Publicly Held Corporation, shall also constitute an assignment, shall not be attempted or consummated unless Developer obtains Company's prior written consent, which shall not unreasonably be withheld and shall be subject to the further conditions stated in this Section 8. Developer is a "Publicly Held Corporation" if Developer is registered to sell its securities under the Securities Exchange Act of 1934.

8.2.3 "Controlling Interest" means possession, directly or indirectly, of power to direct, or cause a change in the direction of, the management and policies of Franchisee. A "Controlling Interest" shall be presumed to be transferred if a Transfer, alone or together with other prior, simultaneous or proposed transfers, would have the effect of transferring, in the aggregate, more than 25% of the equity or voting interests in a Franchisee which is a corporation, LLC, partnership or other entity; and

8.2.4 Any attempted or purported Transfer which fails to comply with the requirements of this Agreement shall be null and void and shall constitute a default under this Agreement.

8.3 Company's Right of First Refusal. Except as otherwise provided in this Section 8.3, if a written offer ("Third Party Offer") is made to purchase or otherwise acquire: (i) Developer's rights under this Agreement, (ii) more than a 1% interest in the outstanding securities of a Publicly Held Corporation, (iii) any securities of Developer offered pursuant to a transaction which is subject to registration under federal or state securities laws or is offered as a private offering pursuant to a written private placement memorandum of any kind, or (iv) a Controlling Interest in the equity or voting interests of Developer which is not a Publicly Held Corporation, Developer, or the person receiving the offer (the "Individual Transferor"), shall, within 5 days after receiving the Third Party Offer and before accepting it, apply to Company in writing for Company's consent to the proposed assignment. Developer, or the Individual Transferor, shall attach to the application a copy of the Third Party Offer together with (x) information relating to the proposed transferee's experience and qualifications, (y) a copy of the proposed transferee's current financial statement, and (z) other information that Company may require which Company deems to be relevant or material to the Third Party Offer, proposed transferee and proposed assignment.

8.3.1 Company or its nominee shall have the right, exercisable by written notice ("Notice of Exercise") delivered to Developer, or the Individual Transferor, within 30 days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Developer or the Individual Transferor that it will purchase or acquire the rights, equity and/or interests proposed to be assigned on the terms in the Third Party Offer, except that Company may (i) substitute cash for any form of payment proposed in the offer discounted to present value based on the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of any commission or fee that would otherwise be payable to any broker or agent in connection with the Third Party Offer and all amounts then due and owing or to become due from Developer to Company.

8.3.2 The closing for any purchase by Company shall be consummated and closed in Company's principal office at a mutually agreed date and time, provided that the closing shall be held no later than 60 days after receipt of the Third Party Offer, all supporting information, and the application for consent. At the closing, Developer or the Individual Transferor shall deliver to Company such documents, affidavits, warranties, indemnities and instruments as would have been delivered by Developer or the Individual Transferor to the proposed transferee pursuant to the Third Party Offer. All costs, fees and other expenses incurred in connection with the Transfer shall be allocated between Developer and Company in accordance with the terms of the Third Party Offer, and any costs not allocated shall be paid by Developer or the Individual Transferor.

8.3.3 If Company gives timely Notice of Exercise but, through no fault of Developer or the Individual Transferor, fails to close the purchase of the interest which is the subject of the Third Party Offer, the Transfer may not be completed unless Company's consent is obtained and all other conditions stated in this Section 8 are satisfied.

8.3.4 Company's right of first refusal shall not apply to any of the following Transfers ("Qualified Transfers"): (i) the Transfer of equity or voting interests constituting less than a Controlling Interest of the equity or voting interests of a Developer which is not a Publicly Held Corporation, (ii) if Developer is an individual, the Transfer by Developer all of his or her rights under this Agreement to a newly-formed corporation, LLC or other entity provided all the equity or voting interests of such entity are owned by the individual, or (iii) a Transfer following death or permanent incapacity of Developer, or of the person owning a Controlling Interest in the equity or voting interests of Developer, to the spouse, adult children, heirs or legal representative of the deceased or incapacitated person.

8.4 Conditions of Assignment to Third Party. If Company does not exercise its right of first refusal or complete the purchase of the interest which is the subject of a Third Party Offer, or in the event of a Qualified Transfer or other transfer requiring Company's consent, Company shall determine whether or not to consent to the proposed transfer, and shall notify Developer of its decision by no later than the following dates: (x) if Company gives timely Notice of Exercise but does not consummate the Transfer through no fault of Developer or the Individual Transferor, notice shall be given by either 10 days after the scheduled closing date for Company's purchase of the interest, or 30 days after Notice of Exercise is given, whichever occurs last, or (y) in all other cases, notice shall be given 30 days following Company's receipt of the Third Party Offer (if any), all supporting information and the application for consent. As a condition to consenting to the Transfer, Company may, in its sole discretion, require that any or all of the following conditions be satisfied:

8.4.1 Developer shall pay to Company a transfer fee equal to 10% of the Territorial Rights Fee when Developer applies to Company for its consent to Transfer. This shall be additional to the payment of any transfer fee(s) due under any Franchise Agreement(s). If consent is denied, Company may retain an amount equal to 5% of the Territorial Rights Fee as compensation for expenses in reviewing the proposed Transfer;

8.4.2 The proposed transferee must meet Company's then-current qualifications for an area developer of a territory similar in size and demographic characteristics to Developer's Territory, including qualifications pertaining to financial condition, credit rating, business experience, moral character and reputation.

8.4.3 Developer must execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company and its officers, directors, shareholders, employees and agents;

8.4.4 The proposed transferee must execute all other documents and agreements required by Company to evidence the assumption of Developer's obligations hereunder and under any other agreements which are contemporaneously being assigned; provided, however, that nothing in this Agreement requires that, in connection with the Transfer of this Agreement, Developer also assign and transfer to the same proposed transferee any or all other agreements then in effect by and between Developer and Company or Company's Affiliates. In no event may other agreements be contemporaneously assigned either to the same or to other transferees unless Developer satisfies all conditions for Transfer imposed under such other agreements;

8.4.5 If the proposed transferee is a corporation, LLC or other entity, each person who at the time of such assignment, or later, owns or acquires, either legally or beneficially, 10% or more of the equity or voting interests of the proposed transferee must execute Company's form of personal guaranty attached as Exhibit "4."

8.4.6 Developer's right to receive the sales proceeds from the proposed transferee in consideration of the Transfer, or otherwise, shall be subordinate to the proposed transferee's and Developer's duties owed to Company, or to any assignee or affiliate of Company, under, or pursuant to, this Agreement or any other agreement, including under any Franchise Agreement, Lease or Sublease. All contracts by and between Developer and the proposed transferee shall provide for such subordination and may further provide that so long as the proposed transferee is not in default to Company in the performance of any of its obligations, the proposed transferee may pay such sales proceeds to Developer;

8.4.7 Developer and its owner(s) shall enter into an agreement with Company which provides that all obligations of the proposed assignee to make installment payments of the purchase price to Developer or its owner(s) shall be subordinate to the proposed assignee(s) obligations to pay to Company or Company's Affiliates royalty fees, advertising contributions and any other payment obligations imposed by any Franchise Agreement or any other agreement which is contemporaneously being assigned and assumed; and

8.4.8 As of the date consent is requested and through the date of closing of the proposed Transfer, Developer must not be in default under this Agreement or under any other agreements with Company, including Franchise Agreements for YOSHINOYA Restaurants owned by Developer, and must be current with all monetary obligations owed to third parties.

8.5 Additional Conditions Re Sale of Securities. Whenever the issuance, offer or sale of securities of Developer (whether or not a Publicly Traded Corporation) is subject to registration under federal or state securities laws or is offered as a private offering pursuant to a written private placement memorandum of any kind, Developer shall, at least 45 days before the proposed effective date of the registration or the delivery of any private placement memorandum, submit all offering or registration materials to Company for its prior review; (ii) reimburse Company for its actual expenses incurred in connection with reviewing the offering or registration materials, including (without limitation) attorneys' fees, accountants' fees and travel expenses, in an amount not to exceed \$25,000 (the "Securities Review Fee"); (iii) provide Company with a written opinion of counsel, in the form and covering the matters prescribed by Company, that the offering or registration complies with all federal and state laws; and (iv) agree in writing to fully indemnify and hold Company harmless from and against any claims, demands, liability, costs or expenses of any kind arising out of the private or public offering and avoid any implication that Company participates in, or endorses, the offering.

8.5.1 Developer shall promptly delete or correct any statements concerning the YOSHINOYA System, YOSHINOYA Marks or experience of YOSHINOYA Restaurants that Company may reasonably objects to following notice from Company.

8.5.2 The Securities Review Fee shall be increased effective as of January 1 of each year during the Term by an amount equal to the percentage increase, if any, in the Consumer Price published by the United States Department of Labor, Bureau of Labor Statistics for the Los Angeles-Anaheim-Riverside, All Urban Consumers (All Items 1982 = 100), or if that index is no longer published then by a comparable index selected by Company (the "Index"), comparing the Index level existing on January 1 of each subsequent year during the Term with the Index level existing on January 1 of the year in which the Term commenced.

8.6 Closing of Sale to Third Party. If Company consents to an assignment to a third party, Developer, or the Individual Transferor, may only complete the Transfer to the proposed transferee on the terms in the Third Party Offer or as otherwise stated in Developer's application for consent. If there is any material change in the terms of the Third Party Offer, Company has a right of first refusal to accept the new terms subject to the conditions in this Section 8. If Company consents to the assignment, the Transfer to the proposed transferee must close within 60 days from the date the Third Party Offer is first submitted to Company unless Company grants an extension of time in writing; otherwise, it must again be offered to Company.

8.7 Corporate/Entity Developer. If Developer is a corporation, LLC, partnership, or other entity, it shall furnish to Company, on execution of this Agreement or at such other time as Transfer to the entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreement, as appropriate, and a list of all persons owning an interest in the equity or voting interests of the entity. Developer shall promptly provide Company with a copy of any amendments to, or changes in, such information during the Development Term.

8.7.1 During the Development Term, each person who now or later owns or acquires, either legally or beneficially, 10% or more of the equity or voting interests of Developer must execute Company's form of personal guaranty attached hereto as Exhibit "4."

8.7.2 Developer shall maintain stop transfer instructions against the transfer on its records of any equity or ownership interests. Each certificate representing an ownership interest in Developer shall bear a legend stating that such interest is held, and further assignment or transfer is subject to all restrictions imposed on Transfer set forth in this Agreement. The chief financial officer of Developer shall deliver a certificate to Company annually, on or before January 15 each year, which lists all owners of record and all beneficial owners of any interest in the equity or voting interests of Developer as of the end of the most recent calendar year and identifies all transfers of equity or voting interests in Developer which occurred during such calendar year.

8.8 Death or Incapacity. In the event of the death or incapacity of Developer, or any person owning a Controlling Interest in the equity or voting interests of Developer, the spouse, heirs or personal representative of the deceased or incapacitated person, or the remaining shareholders, members, partners or owners (collectively, the "Successor") shall have 180 days from the date of death or incapacity to (i) purchase the interest of the deceased or incapacitated person in this Agreement or in Developer, or (ii) complete the sale or assignment of such interest to a qualified, approved third party, provided, in either case, the purchase or assignment complies with all of the terms and conditions for assignment stated in this Section 8.

8.8.1 The development obligations imposed by this Agreement shall be tolled until the events described in (i) or (ii) of the preceding Section occur, or, if neither occurs, for 180 days. At the end of the 180 day period, if the Successor has not purchased the interest of the deceased or incapacitated person in this Agreement or in Developer or obtained Company's consent to an assignment to a third party, Company may, at its election, terminate this Agreement.

8.8.2 For this Agreement, "incapacity" means inability due to medical reasons to devote full time and attention to the development obligations under this Agreement for at least 4 months in the aggregate during any consecutive 12 month period during the Development Term, based on the examination and findings of a physician selected by Company. A period of incapacity shall continue without interruption unless and until the person suffering the incapacity resumes his or her duties under this Agreement on a full time basis for thirty (30) consecutive business days.

8.9 Transfer of Individual Franchise Agreements. Developer's right to transfer its interest in any Franchise Agreement shall be governed by the terms of that Franchise Agreement.

9. RELATIONSHIP OF PARTIES.

9.1 Independent Contractor. This Agreement does not create a fiduciary relationship between the parties. Company and Developer are independent contractors. Nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. Company shall neither regulate nor be responsible for the hiring or firing of Developer's agents or employees or for Developer's contracts with third parties, except to the extent necessary to protect Company's name, reputation and goodwill, the YOSHINOYA Marks, or the confidentiality of information which may be imparted to Developer.

9.2 No Liability. Neither Company nor Developer shall be obligated by, or have any liability under, any agreements or representations made by the other that are not expressly authorized under this Agreement. Company shall not be obligated for any damages to any person or party directly or indirectly arising out of the operation of any YOSHINOYA Restaurant in which Developer owns an interest, whether caused by Developer's negligence, willful action or failure to act.

9.3 Indemnification. Developer shall indemnify and hold Company and each of Company's officers, directors, shareholders, employees, agents, successors and assigns, harmless from and against any and all costs, expenses, losses, liabilities, damages, causes of action, claims and demands whatsoever, arising, directly or indirectly, out of Developer's exercise of the rights granted hereunder, including but not limited to, any liability arising from labor or employment law violations by Developer, claims by Developer's employees against Company and any and all acts and omissions of Developer and its employees. Company shall have the right to retain its own counsel to defend any third party claim asserted against it which is covered by this indemnification agreement. This indemnity shall continue in full force and effect subsequent to, and notwithstanding, expiration or termination of this Agreement.

10. PERSONAL GUARANTY.

10.1 Personal Guaranty Form. If Developer is a corporation, LLC or other entity, each person who owns or at any time during the Development Term acquires, either legally or beneficially, 10% or more of the equity or voting interests of Developer shall furnish any financial information reasonably required by Company and execute the form of personal guaranty attached to this Agreement as Exhibit "4." An event of default under this Agreement shall occur if any guarantor fails or refuses to deliver to Company, within 10 days after Company's written request: (i) evidence of the due execution of the personal guaranty, and (ii) current financial statements of guarantor as may from time to time be requested by Company.

10.2 Spouse. If the person signing the Personal Guaranty is married, Company may require the individual's spouse to also sign the Personal Guaranty as a co-guarantor.

11. DISPUTE RESOLUTION.

11.1 Agreement to Mediate Disputes. Except as provided in Section 11.2, no party shall bring a civil action seeking enforcement or any other legal remedy founded on this Agreement until the dispute has been submitted to a mediation proceeding conducted according to the procedures in this Section 11.1.

11.1.1 Either party may initiate mediation (the “Initiating Party”) by notifying American Arbitration Association (“AAA”), with offices in Los Angeles, California (“the Mediation Service”) in writing, with a copy to the other party (the “Responding Party”). The notice shall describe with specificity the nature of the dispute and Initiating Party’s claim for relief. Thereupon, both parties shall engage in the mediation, which shall be conducted in accordance to the Mediation Service’s then current rules, but in a conflict between those rules and this Agreement, this Agreement controls.

11.1.2 The mediation will be conducted by a single mediator, who must be a retired judge with no past or present affiliation or conflict with any party to the mediation. The parties agree that the mediator and Mediation Service’s employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

11.1.3 On receipt of the written mediation demand, the Mediation Service shall provide the parties with a list of mediators willing to serve. If the parties do not agree on a mediator, and so advise the Mediation Service in writing, within 10 days of receipt of the list, the Mediation Service shall appoint the mediator. The fees and expenses of the Mediation Service, including (without limitation) mediator’s fee, shall be shared equally by the parties. Each party shall bear its own attorneys fees and other costs incurred in the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.

11.1.4 The mediation proceeding shall commence within 30 days after selection of the mediator. The mediation will be conducted at Company’s offices, unless Company and Developer agree on a mutually acceptable alternative location.

11.1.5 At least 7 days before the first scheduled session of mediation, each party shall deliver to the mediator and to the other party a concise written summary of its position regarding the matters in dispute and Initiating Party’s claims for relief, and such other matters required by the mediator.

11.1.6 The parties shall participate in good faith in the mediation with the intention of resolving the dispute, if possible. The parties recognize and agree, however, that the mediator’s recommendations and decision shall not bind the parties.

11.1.7 During the mediation, the mediator may have joint and separate meetings with the parties and their counsel, at the mediator’s discretion. The mediation shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes and informs the parties in writing that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation proceeding.

11.1.8 At the mediator’s discretion, or on either party’s request, the mediator will provide a written evaluation of each party’s claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

11.1.9 The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and Mediation Service’s employees, are confidential. Such

offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

11.2 Interim Relief. The obligation to mediate shall not apply to any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, claim and delivery, or any other orders which a court may issue when deemed necessary in its discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending completion of a mediation and/or arbitration proceeding. The party awarded interim or injunctive relief shall not be required to post bond.

11.3 Arbitration. Any dispute arising from or relating to this Agreement, also including any claim that this Agreement (including this Section 11.3) was induced by misrepresentation or fraud, shall be resolved by arbitration according to the Commercial Rules of Arbitration of American Arbitration Association. Arbitration shall be conducted by a single arbitrator. The arbitration shall be conducted in Los Angeles, California. The arbitrator shall have authority to award or include in the award any relief which the arbitrator deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and injunctive relief. Discovery shall be permitted in the arbitration in accordance with California Code of Civil Procedure Section 1283.05 and 1283.1(b). Judgment on the award of the arbitrator may be entered in and enforced by any court of competent jurisdiction. This arbitration provision is self-executing and a properly noticed arbitration may proceed despite a party's failure to appear or participate. This agreement to arbitrate shall continue in effect subsequent to and regardless of expiration or termination of this Agreement.

11.4 Choice of Law. Subject to state law requirements to the contrary, California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or arbitration or judicial proceeding to resolve all disputes between them, except that when the subject of the dispute arises exclusively under federal law, federal law shall govern.

11.5 Limitations Period. To the extent permitted by applicable law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than (i) 90 days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation proceeding which is initiated before the last day of the limitations period, and such toll shall commence on the date the Responding Party receives the Initiating Party's demand for mediation and continue until the date the mediation is concluded.

11.6 Punitive or Exemplary Damages. Company and Developer, and their respective directors, officers, shareholders and guarantors, as applicable, each waives to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agrees that, in a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

11.7 Attorneys' Fees. In any arbitration or other proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the tribunal. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action. Additionally, Company shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

12. MISCELLANEOUS.

12.1 Notices. All communications required or permitted to be given to either party shall be in writing and shall be deemed duly given on the earlier of: (i) the date when delivered by hand; (ii) the date when delivered by email if confirmation of transmission is received or can be established by the sender; (iii) one business day after delivery to a reputable national overnight delivery service; or (iv) 4 business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. All notices shall be addressed to Franchisee at the following address: _____; and to Company at its headquarters at 991 Knox Street, Torrance, California 90502; franchising@yoshinoyaamerica.com (EMAIL). Either party may change its address for receiving notices by appropriate written notice to the other. Notwithstanding the parties' agreement regarding when notices shall be deemed to be given, any required payment not actually received by Company during regular business hours on the date it is due shall be deemed delinquent.

12.2 Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

12.3 Withholding of Consent. Except where this Agreement expressly obligates Company to reasonably approve or not unreasonably withhold approval of any action or request by Developer, Company has the absolute right to refuse any request by Developer or to withhold approval of any action by Developer. Further, whenever the consent or approval of Company is required under this Agreement such consent or approval must be in writing unless this Agreement specifies otherwise.

12.4 Waiver. Any waiver granted by Company to Developer excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective on delivery of the writing by Company to Developer or on such other effective date as specified in the writing, and only to the extent specifically allowed in the writing. No waiver granted by Company, and no action taken by Company, with respect to any third party shall limit Company's discretion to take action of any kind, or not to take action, with respect to Developer. Any waiver granted by Company to Developer shall be without prejudice to any other rights Company may have. No delay by Company in exercising any right or remedy shall operate as a waiver, and no single or partial exercise by Company of any right or remedy shall preclude Company from fully exercising that right or remedy or any other right or remedy. Company's acceptance of any payments made by Developer after a breach of this Agreement shall not be, nor be construed as, a waiver by Company of any breach by Developer of any term, covenant or condition of this Agreement. The rights of Company are cumulative and no exercise or enforcement by Company of any right or remedy shall preclude the exercise or enforcement by Company of any other right or remedy to which Company is entitled by law to enforce.

12.5 Capitalized Terms. Except as expressly provided herein, to the extent any capitalized term is also defined in the Franchise Agreement, the term shall have the same meaning given to it in the Franchise Agreement and such definitions are incorporated herein by this reference. All other capitalized terms shall have the meaning given to them herein.

12.6 Section Headings; Language. Section headings in this Agreement are for convenience only and shall be deemed not to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement. The language used in this Agreement shall be construed according to its fair meaning and not strictly for or against Company or Developer. The term "Developer" as used herein is applicable to one or more persons, corporations, entities or partnerships, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Developer, whether or not as partners or joint venturers, their obligations and liabilities shall be joint and several. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies on any person or entity not a party hereto. No agreement between Company and anyone else is for the benefit of Developer. Whenever this Agreement refers to "business days," it shall mean weekdays only, excluding Saturdays, Sundays and holidays.

12.7 Binding on Successors. Subject to the restrictions on assignment by Developer herein, the covenants, agreements, terms and conditions in this Agreement shall be binding on, and shall benefit, the successors, assigns, heirs and personal representatives of the parties.

12.8 Validity; Conformity with Applicable Law. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the rest of the provision or the remaining provisions of this Agreement. To the extent the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination other than according to applicable law, such provisions shall be deemed to be automatically amended to conform to the provisions of applicable law.

12.9 Amendments. No amendment, change, modification or variance to or from the terms and conditions in this Agreement shall be binding on any party unless it is set forth in writing and executed: (i) on behalf of Developer by Developer or, if Developer is not a natural person, by an authorized agent or officer of Developer; and (ii) on behalf of Company, by a duly authorized officer of Company.

12.10 Complete Agreement. This Agreement, including the exhibits, is the entire agreement between the parties, superseding any and all prior agreements or understandings between them pertaining to the subject matter. The recitals in this Agreement, and the exhibits, are incorporated herein by reference and made a part hereof. There are no representations, warranties, promises or inducements, either oral or written, except those contained in this Agreement. However, nothing in this Agreement, the exhibits or any related agreement or document is intended to disclaim representations made in Company's Franchise Disclosure Document which Franchisee acknowledges was furnished to Franchisee.

12.11 Covenant and Condition. Each provision of this Agreement performable by Developer shall be construed to be both a covenant and a condition.

12.12 Submission of Agreement. The submission of this Agreement to Developer is not an offer to Developer and this Agreement shall become effective only on execution by Company and Developer.

12.13 Spousal Consent. If the party entering into this Agreement as Franchisee is married and the party's spouse is not a party to this Agreement, Franchisee's spouse shall execute the Spousal Consent attached as Exhibit "5."

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

"COMPANY"

"DEVELOPER"

YOSHINOYA AMERICA, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Exhibit “1” Description of Developer’s Territory

Exhibit “2” Development Quota

YOSHINOYA Restaurant	Date by which YOSHINOYA
Unit #1	_____
Unit #2	_____
Unit #3	_____
Unit #4	_____

Exhibit “3” Franchise Agreement

Exhibit "4" Personal Guaranty

PERSONAL GUARANTY AND SUBORDINATION AGREEMENT

The undersigned ("Guarantor"), to induce YOSHINOYA AMERICA, INC. ("Company"):

(i) to enter into that certain Area Development Agreement dated _____, 20____ (the "Area Development Agreement") with _____ as Franchisee (the "Corporation");

(ii) to permit assignment of the Area Development Agreement to the Corporation by the individual or individuals who are the original signatories of the Area Development Agreement as franchisee, or

(iii) as otherwise required as a condition of the Area Development Agreement,

enters into this Guaranty and Subordination Agreement ("Guaranty") for the benefit of Company and unconditionally, absolutely, jointly and severally, personally guarantees to Company, its successors and assigns, the full, timely and complete payment and performance of all obligations of the Corporation which are or may become due and owing to Company or to any entity affiliated with Company, including, but not limited to, all obligations arising out of the Area Development Agreement, any Sublease by and between the Corporation and Company or any entity now or hereafter affiliated with Company, and any other agreement now or hereafter existing between Company and the Corporation (collectively, the "Guaranteed Obligations") in the same manner as if the Area Development Agreement, Sublease or other agreement was entered into by Company and Guarantor directly. The obligations of Guarantor under this Guaranty are independent of the obligations of the Corporation or any other guarantor, and shall be continuing and irrevocable until all of the Guaranteed Obligations have been fully satisfied.

1. Waivers; Amendments.

a. Guarantor waives (i) notice that Company accepted, or will accept, money or other consideration from the Corporation or for the Corporation's benefit, (ii) notice that the Corporation incurred, or will incur, any new or additional obligations or liability to Company or to any entity affiliated with Company, and (iii) any and all other notices and demands to which it may be entitled under applicable law.

b. Guarantor waives all rights to determine how, when and what application of payments and credits will be made on the Guaranteed Obligations.

c. This Guaranty shall not be affected by the amendment, modification, extension or renewal of any agreement between Company and the Corporation, by the creation or incurring of new or additional Guaranteed Obligations, the taking of security for payment, the granting of additional time for payment, the filing by or against the Corporation of bankruptcy, insolvency, reorganization or other debtor's relief afforded under any present or future law or by the decision of any court, or any other matter, whether similar or dissimilar to any of the foregoing; and this Guaranty shall cover the terms and obligations of any such modifications, notes, security agreements, extensions, or renewals.

d. This Guaranty shall not be affected by any defect in the genuineness, validity, regularity, or enforceability of the Corporation's obligations or liability to Company, or any other circumstances whether or not referred to herein which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

e. Guarantor waives all rights it may otherwise be entitled to by reason of Company's failure to enforce, or delay in enforcing, any of Company's rights with respect to the Guaranteed Obligations.

f. Guarantor waives any and all benefits it may otherwise be entitled to as a guarantor or surety under applicable law, including the provisions of California Civil Code Sections 2787 through 2855.

g. Guarantor's liability under this Guaranty shall not be contingent on Company's exercise or enforcement of any remedy it may have against the Corporation or others, or the enforcement of any lien or realization upon any security Company may at any time possess.

2. Subordination. Guarantor covenants and agrees that any indebtedness by the Corporation to Guarantor for any reason, currently existing or which might arise after the date hereof, shall at all times be inferior and subordinate to any indebtedness owed by the Corporation to Company. As long as the Corporation owes any monies to Company (other than fees or payments that are not past due), the Corporation will not pay, and Guarantor will not accept payment of, any part of any indebtedness which may be owed by the Corporation to Guarantor, either directly or indirectly, without Company's prior written consent.

3. Joint and Several Obligations. If more than one person executes a personal guaranty in favor of Company (whether or not in identical form), guarantying the Corporation's payment or performance of the Guaranteed Obligations, each individual shall be jointly and severally liable for the Guaranteed Obligations. Company shall have recourse against any one guarantor, or all of them, and its election to pursue recourse against fewer than all guarantors shall not discharge the others. Company may partially or fully release the Corporation or any other guarantor without obtaining Guarantor's consent and without affecting or impairing Guarantor's obligations under this Guaranty.

4. Rights Cumulative. All rights and remedies of Company under this Guaranty are cumulative and not alternative, and such rights and remedies are in addition to those given to Company by applicable law.

5. Dispute Resolution. California law shall govern the construction, interpretation, validity and enforcement of this Guaranty. Any dispute arising from or relating to this Guaranty, also including any claim that this Guaranty (including this Section 5) was induced by misrepresentation or fraud, shall be resolved by arbitration according to the Commercial Rules of Arbitration of American Arbitration Association. Arbitration shall be conducted by a single arbitrator. The arbitration shall be conducted in Los Angeles, California. The arbitrator shall have authority to award or include in the award any relief which the arbitrator deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and injunctive relief. Discovery shall be permitted in the arbitration in accordance with California Code of Civil Procedure Section 1283.05 and 1283.1(b). Judgment on the award of the arbitrator may be entered in and enforced by any court of competent jurisdiction. This arbitration provision is self-executing and a

properly noticed arbitration may proceed despite a party's failure to appear or participate. This agreement to arbitrate shall continue in effect subsequent to and regardless of expiration or termination of this Agreement.

6. Miscellaneous.

a. All notices required or permitted to be given to either party shall be in writing and shall be deemed duly given on the earlier of: (i) the date when delivered by hand; (ii) one business day after delivery to a reputable national overnight delivery service; or (iii) 4 business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. All notices shall be addressed as follows:

If to Guarantor: _____

Fax: _____

If to Company: _____

991 Knox Street
Torrance, California 90502
franchising@yoshinoyaamerica.com

Either party may change its address for receiving notices by appropriate written notice to the other.

b. This Guaranty shall be binding on, and shall benefit, Guarantor's successors-in- interest, heirs and personal representatives.

c. This Guaranty sets forth the entire agreement between the parties, fully superseding any and all prior agreements or understandings between them pertaining to the subject matter hereof. No amendment, change, modification or variance to or from the terms and conditions set forth in this Guaranty shall be binding unless it is set forth in a writing and duly executed by Guarantor.

d. No waiver of any default under this Guaranty shall be effective unless the waiver is evidenced by a writing duly executed by Company. No such waiver shall constitute a continuing waiver of the same or any other default or provision of this Guaranty or render unnecessary Company's consent to or approval of any other act or subsequent act.

If Guarantor is a married individual and his or her spouse is not also required by Company to execute this Guaranty as a guarantor, Guarantor's spouse shall execute the Spousal Consent attached as Exhibit "A."

IN WITNESS WHEREOF, Guarantor has executed this Guaranty on the date set forth

"Guarantor"

Name

(Please sign without title)

Dated: _____.

Exhibit “5” Spousal Consent

Please see Exhibit O to the Franchise Disclosure Document.

EXHIBIT E

GENERAL RELEASE

GENERAL RELEASE

This GENERAL RELEASE ("Release") is made as of _____, 20____, by _____ ("Releasor") with reference to the following facts:

The undersigned, Releasor:

[CHECK APPROPRIATE LINE]

1. _____ is the Franchisee under, and signatory to, that certain Franchise Agreement _____ entered into by and between YOSHINOYA AMERICA, INC., as Franchisor (the "Company") and Releasor, as Franchisee, permitting Releasor to use the YOSHINOYA System and YOSHINOYA Marks in operating a YOSHINOYA Restaurant, as the capitalized terms are defined in the Franchise Agreement, on the terms and conditions of the Franchise Agreement; or
2. _____ applied to Company to purchase a YOSHINOYA franchise; or
3. _____ is an officer, director, member, manager or partner of _____, the entity which executed the Franchise Agreement as Franchisee; or
4. _____ is a shareholder, trustee, or owner of an interest in the equity or voting interests of _____, the entity which executed the Franchise Agreement as Franchisee.

B. This Release is being executed either pursuant to the requirements of the Franchise Agreement or the Franchise Deposit Agreement, and for other good and valuable consideration, the receipt of which is acknowledged by the parties.

NOW, THEREFORE, RELEASOR AGREES AS FOLLOWS:

1. **General Release.** Releasor, for itself, himself or herself, and, if applicable, additionally, for its, his or her respective officers, directors, shareholders, members, managers, trustees, partners, employees, attorneys, heirs and successors (Releasor and such other persons are collectively referred to as the "Releasing Parties"), hereby release and forever discharge Company, its officers, directors, shareholders, agents, employees, representatives, attorneys, successors and assigns, and each of them, from any and all claims, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, at law or in equity, of every nature, character or description whatsoever, whether known or unknown, suspected or unsuspected or anticipated or unanticipated, which any of the Releasing Parties ever had, now has, or may, shall or can hereafter have or acquire (collectively referred to as "Claims"). This Release includes, but is not limited to, all Claims arising out of, concerning, pertaining to or connected with any agreement, tort, statutory violation, representation, nondisclosure, act, omission to act, fact, matter or thing whatsoever, occurring as of or prior to the date of this Release, so that after the date of this Release, none of the Releasing Parties shall have any claim of any kind or nature whatsoever against Company or its officers, directors, shareholders, agents, employees, representatives, attorneys, successors and assigns, directly or indirectly, or by reason of any matter, cause, action, transaction or thing whatsoever done, said or omitted to have been done or said at any time prior to the date of this Release.

2. **Waiver of Civil Code Section 1542.**

This Release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor or any of the other Releasing Parties against Company regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for itself, himself or herself, for each of the other Releasing Parties expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Releasor or any of the Releasing Parties would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereafter existing under the laws of California or any other applicable federal and state law with jurisdiction over the parties relationship. Releasor, for itself, himself or herself, for each of the other Releasing Parties, acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

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

In making this voluntary express waiver, Releasor acknowledges that claims or facts additional to or different from those which are now known or believed to exist regarding the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. Releasor acknowledges and agrees that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release.

3. **Dispute Resolution.** California law shall govern the construction, interpretation, validity and enforcement of this Release. Any dispute arising from or relating to this Release, also including any claim that this Release (including this Section 3) was induced by misrepresentation or fraud, shall be resolved by arbitration according to the Commercial Rules of Arbitration of American Arbitration Association. Arbitration shall be conducted by a single arbitrator. The arbitration shall be conducted in Los Angeles, California. The arbitrator shall have authority to award or include in the award any relief which the arbitrator deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and injunctive relief. Discovery shall be permitted in the arbitration in accordance with California Code of Civil Procedure Section 1283.05 and 1283.1(b). Judgment on the award of the arbitrator may be entered in and enforced by any court of competent jurisdiction. This arbitration provision is self-executing and a properly noticed arbitration may proceed despite a party's failure to appear or participate. The party prevailing in any action arising out of or relating to this Release shall be entitled to receive from the other party, in addition to any other relief that may be granted, its attorneys fees and costs incurred in the action. As used in this Release, the "prevailing party" is the party who recovers greater relief in the action.

4. **Release Not Admission.** Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be construed as an admission of any liability by Company or an admission of the validity of any claims made by or against Company.

5. **Authority of Parties.** Each person executing this Release on behalf of a party warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

6. **No Prior Assignments.** Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

IN WITNESS WHEREOF, Releasor has executed this Release on the date first shown above.

Releasor: _____ [IF APPLICABLE]

Signature: _____

Printed Name: _____

Title or Capacity: _____

EXHIBIT F

SUBLEASE

SUBLEASE

This SUBLEASE is made as of _____, 20____ between _____, a _____ corporation ("Landlord") and _____ ("Sublessee"), with reference to the following facts:

RECITALS

A. Sublessee is the "Franchisee" under a Franchise Agreement dated _____, 20____ ("Franchise Agreement") in which Yoshinoya America, Inc. ("Company") granted Sublessee rights to use the Yoshinoya System and Yoshinoya Marks in operating a Yoshinoya Restaurant at an approved Franchise Location (as these capitalized terms are defined in the Franchise Agreement) on the terms in the Franchise Agreement;

B. Sublessee applied for approval to locate its Yoshinoya Restaurant at _____ ("Franchise Location");

C. Under the Franchise Agreement, when Company approves a franchise location, Company may lease the location from the owner or master landlord and sublease the location to Sublessee, on terms in the master lease, and other terms provided in the Franchise Agreement.

D. Company notified Sublessee that Company approves the Franchise Location for Sublessee's Yoshinoya Restaurant and that Company, or a company affiliated with Company, will exercise the right to lease the location from the owner or master landlord;

E. Landlord is either Company or is an entity affiliated with Company through common ownership. Landlord entered into a written lease dated _____, _____ ("Master Lease") with _____ ("Master Landlord") for the premises where the Franchise Location is situated, as described in the Master Lease (the "Premises"). A copy of the Master Lease is attached to this Sublease as Exhibit "A."

F. In accordance with the Franchise Agreement, Landlord is willing to lease the Premises to Sublessee, and Sublessee wants to rent the Premises, all on the terms in this Sublease.

Accordingly, it is agreed as follows:

1. Premises. Landlord leases to Sublessee, and Sublessee leases from Landlord, on the terms in this Sublease, the Premises, together with all easements, parking areas, rights, privileges and appurtenances under the Master Lease.

2. Term. This Sublease starts on _____, 20____ and ends on the same date on which the Master Lease terminates, unless this Sublease is sooner terminated.

3. Option to Extend.

(a) The Master Lessor granted Landlord the option to extend the term of the Master Lease for _____ additional _____ year periods (each an "Option Period"), as stated in the Master Lease. Subject to Sections 3(c) – 3(e) below, following timely receipt from Sublessee of a written "Option Request" in each instance, Landlord agrees to exercise the applicable option

seeking to extend the term of the Master Lease.

(b) The first Option Period shall start on the day after the original Expiration Date, and any subsequent Option Period shall start on the day after the end of the preceding Option Period. The expiration of the term of the Master Lease as the same may be so extended is referred to as the "Expiration Date". The period of time when the option may be exercised under the Master Lease is referred to as the "Option Exercise Period." The deadline for exercise of the option under the Master Lease is referred to as the "Option Exercise Deadline."

(c) Sublessee shall have no right to request that Landlord exercise an option under the Master Lease (an "Option Request") during any of the following periods:

(i) After expiration or termination of the Franchise Agreement;

(ii) During the period starting with giving of any notice of breach or default under this Sublease or the Franchise Agreement, and continuing until the breach or default is cured.

(iii) After Sublessee's breach of any obligation imposed on the Landlord under the Master Lease and Sublessee's failure to cure the breach within the time period, if any, provided by the Master Lease.

(iv) If in the twelve (12) months preceding the Expiration Date, either (a) Sublessee shall not have paid basic rent or charges more than ten (10) days after such payment is due, on three (3) or more occasions, regardless of whether Landlord served a three day notice on Sublessee under California Code of Civil Procedure §1161, or equivalent notice under the law of any state, or otherwise, on any such occasion, or (b) Landlord has on two or more occasions instituted legal proceedings to recover possession of the Premises from Sublessee on account of default.

(d) Sublessee may deliver an Option Request only in writing, to be received by Landlord not later than fifteen (15) days before and not more than forty-five (45) days before the Option Exercise Deadline. The delivery of any Option Request shall be irrevocable and Sublessee shall have no right to withdraw same.

(e) Sublessee shall, no sooner than seven (7) days after delivering the Option Request, but no later than three (3) days before the Option Exercise Deadline, inquire again in writing to Landlord whether Landlord exercised the applicable option. Landlord shall not be liable for any inadvertent failure to exercise the applicable option in the absence of this additional inquiry delivered to Landlord by Sublessee in writing within the above time.

(f) In the event Sublessee timely delivers an Option Request and additional inquiry, and if the option is exercised by Landlord, then rent and other charges for the Option Period shall be the same as provided in Section 4, below.

4. Rent and Other Charges.

(a) Sublessee shall pay to Landlord as rent for the Premises, without offset or deduction for any reason, all rent and other charges of any kind which are the obligation of the tenant under the Master Lease, together with the Administrative Fee (defined below) and any

security deposit which Landlord may be required to deliver to Master Lessor.

(b) Sublessee shall make all such payments to Landlord at least ten (10) days before the date such payments are required to be paid by Landlord under the Master Lease. If not received by Landlord at least ten (10) days before such payments are required to be paid by Landlord under the Master Lease, then the payment from Sublessee shall be deemed delinquent. For example, if minimum and percentage rent is due and payable under the Master Lease monthly, on or before the fifth (5th) day of each month, Sublessee's payment of minimum and percentage rent is due and payable to Landlord at least five (5) days before the end of the prior month.

(c) The Administrative Fee is \$_____ (the "Administrative Fee"). Sublessee shall pay the Administrative Fee to Landlord on or before the first day of each month during the term of this Sublease.

(d) Landlord reserves the right to increase the Administrative Fee effective January 1 each year in amounts commensurate with increases in the Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics for Los Angeles-Anaheim-Riverside, All Urban Consumers (All Items 1982-84 = 100) (the "Index"), comparing the Index level existing on January 1 of each subsequent year during the term of this Sublease (the "Comparison Index") with the Index level existing on January 1 of the year in which the term of this Sublease commences (the "Base Index"). The Administrative Fee shall not be reduced in any circumstance.

(1) Each year, after January 1, Landlord shall notify Sublessee in writing of the increase in the Administrative Fee, stating the Comparison Index, the Base Index, the percentage increase between those two indices, and the new Administrative Fee.

(2) Lessee shall pay the new Administrative Fee for 12 months, starting as of January 1 of each new year during the term of this Sublease until the next adjustment, if any, based on increases in the Index.

(3) If the format or components of the Index are materially changed, or it is no longer published, Lessor shall substitute an index which Lessor considers to be reasonably equivalent to the Index.

(e) Sublessee's obligation to pay all rent and other charges imposed on the tenant under the Master Lease includes, without limitation, minimum rent, percentage rent, common area charges, merchant association fees, assessments, insurance, taxes, late charges, penalties, interest, and any other obligations of any other kind or description imposed on the tenant under the Master Lease.

(f) If Sublessee fails to make any payment required by this Sublease within three (3) days after it is due, Sublessee recognizes that Landlord will incur extra expenses because of the delinquency in an amount which is impossible to ascertain. Sublessee acknowledges that a charge of ten percent (10%) of the amount of the delinquent payment is a fair approximation of Landlord's extra expenses based on the facts and circumstances existing as of the date of this Sublease. Therefore, on written demand from Landlord given anytime after Sublessee fails to make a payment to Landlord within three (3) days after the payment is due, Sublessee shall immediately pay to Landlord a late charge equal to ten percent (10%) of the delinquent payment. This shall be in addition to and not in lieu of any late charges or other

assessments due under the Master Lease. Sublessee shall also be responsible for such late charges and other assessments. Acceptance of the late charge does not waive Sublessee's default nor prevent Landlord from exercising any other right or remedy available to Landlord under this Sublease or applicable law.

(g) Sublessee shall send or deliver all payments required by this Sublease to Landlord at the address shown for giving notices to Landlord, or at any other place designated in writing by Landlord.

5. Reimbursement of Lease Negotiation Costs. Sublessee shall pay and reimburse to Company and/or Landlord all costs incurred by Company and/or Landlord in negotiating, and/or otherwise associated with leasing the premises from Master Landlord and subleasing the premises to Sublessee.

6. Security Deposit. On signing this Sublease, Sublessee shall pay Landlord a security deposit of \$__ as security for full performance by Sublessee of the terms, covenants and conditions of this Sublease. Landlord may apply any portion of the deposit to remedy any default by Sublessee under this Sublease. Sublessee shall then restore the amount of the security so applied by Landlord within ten (10) days after written demand. Sublessee's failure to do so shall be a material breach of this Sublease. Within forty-five (45) days after termination or expiration of this Sublease, Landlord shall return to Sublessee the balance of the security deposit remaining after taking any deductions authorized by this provision or law. Sublessee shall not be entitled to interest on any of the security deposit.

7. Use of Premises. Sublessee shall use the Premises only as a Yoshinoya Restaurant according to the terms of the Franchise Agreement, and for no other purpose. Sublessee shall comply with the terms of this Sublease and the Franchise Agreement.

8. Entry. Company or its agents or employees may enter the Premises for any purpose permitted by the Franchise Agreement.

9. Condition of Premises. Sublessee shall maintain the Premises, at its expense, in good repair and good, safe and sanitary condition and otherwise according to the requirements of the Franchise Agreement and Master Lease.

10. Obligations of Tenant Under Master Lease.

(a) This Sublease is subject and subordinate to the terms and conditions of the Master Lease, all of which are incorporated herein by reference.

(b) Sublessee assumes and agrees to perform and comply with all obligations required to be kept or performed by the tenant under the Master Lease, except to the extent modified by this Sublease.

(c) To the extent the Master Lease requires the tenant to submit written reports or other information to Master Lessor or any other person, Sublessee shall do so, and at the same time provide Landlord with a copy of each and all writings so submitted.

(d) Sublessee shall promptly furnish Landlord and Company with a copy of any notice, report or citation, immediately on receipt (i) concerning an unhealthy, unsanitary or unclean condition at the Premises, or (ii) asserting, suggesting, or alleging that activity at, or the physical condition of, the Premises may, or do, violate any law or regulation.

11. Assignment and Subletting. Sublessee shall have no right or power to assign or purport to assign this Sublease or any interest herein or to sublet the Premises or any part thereof, without Landlord's prior written consent. Any purported assignment in breach of this provision shall have no effect and shall be deemed to be void.

12. No Assumption of Obligations. Landlord does not assume the obligations required to be kept or performed by the Master Lessor under the Master Lease.

13. Indemnification. Sublessee shall indemnify, defend and hold Landlord and Company and each of their respective officers, directors, shareholders, employees, agents, successors and assigns (collectively, the "Indemnified Parties"), harmless from and against any and all costs, expenses, losses, liabilities, damages, causes of action, claims and demands, arising from or relating to Sublessee's occupancy of the Premises or breach of this Sublease, whether or not arising from bodily injury, personal injury or property damage, or any other violation of the rights of others, or in any other way. These indemnity, defense and hold harmless obligations shall also extend, without limitation, to costs and expenses incurred by the Indemnified Parties, or any of them, in defending any third party claim within the above scope, including, without limitation, attorneys fees and court costs. Each of the Indemnified Parties may retain its own counsel to defend any third party claim asserted against it which is covered by this indemnification agreement. The provisions of this paragraph shall survive the expiration or termination of this Sublease for any reason.

14. Termination of Sublease. This Sublease will terminate effectively immediately on written notice to Sublessee based on any of the following events:

(a) Sublessee's failure to pay rent or any other charge due to Landlord pursuant to this Sublease within three (3) days after written notice of default is given to Sublessee;

(b) Sublessee's breach of any obligation imposed on the tenant under the Master Lease and failure to cure such default within the time period, if any, provided by the Master Lease, resulting in termination of the Master Lease;

(c) Expiration or termination of the Master Lease for any reason; or

(d) Expiration or termination of the Franchise Agreement for any reason.

15. Effects of Termination. On termination of this Sublease, Sublessee shall have no further right to occupy the Premises, and, on written notice from Landlord to quit, which notice to quit may be included in the same notice given by Landlord in terminating this Sublease, Sublessee shall vacate the Premises. Sublessee shall be liable to Landlord for all costs incurred by Landlord to restore the Premises to the condition existing on the start date of this Sublease, ordinary wear and tear excepted.

16. Personal Guaranty. If Sublessee is a corporation, LLC or other entity, each person who owns or at anytime during the term of this Sublease, either legally or beneficially, ten percent (10%) or more of the equity or voting interests of Sublessee shall furnish any financial information reasonably required by Landlord and execute Landlord's standard form of personal guarantee, agreeing to be, and remain, jointly and severally personally liable for Sublessee's payments and performance under the terms of this Sublease.

17. Miscellaneous.

(a) All communications required or permitted to be given to a party shall be in writing and shall be deemed duly given on the earlier of: (i) the date delivered by hand; (ii) one business day after delivery to a reputable national overnight delivery service for overnight delivery; or (iii) four (4) business days after being placed in the U.S. Mail and sent by certified or registered mail, postage prepaid, return receipt requested. All notices shall be addressed as follows:

If to Sublessee:	If to Landlord:	If to Company:
_____	991 Knox Street	991 Knox Street
_____	Torrance, California 90502	Torrance, California 90502
Fax: _____	franchising@yoshinoyaamerica.com	franchising@yoshinoyaamerica.com

Any notice from Sublessee to Landlord shall be copied to Company. A party may change its address for receiving notices by appropriate written notice to the other.

(b) Time is of the essence of this Sublease with respect to each and every provision in which time is a factor.

(c) Any waiver granted by Landlord to Sublessee excusing or reducing any obligation or restriction under this Sublease shall be effective only if in writing and only on delivery of the writing by Landlord to Sublessee or on such other effective date specified in the writing, and only to the extent stated in the writing. Any waiver granted by Landlord to Sublessee shall be without prejudice to other rights Landlord may have. No delay by Landlord in exercising any right or remedy shall operate as a waiver, and no waiver shall be regarded as a continuing waiver of the same or other provision of this Sublease. Landlord's acceptance of any payments made by Sublessee after breach of this Sublease shall not be, nor be construed as, waiver by Landlord of any breach by Sublessee. All remedies, either under this Sublease, at law, in equity, or otherwise afforded to Landlord, shall be cumulative and not exclusive.

(d) Subject to the restrictions contained herein on assignment by Sublessee, the covenants, agreements, terms and conditions in this Sublease shall bind, and shall benefit, the successors, assigns, heirs and personal representatives of the parties. If Company is not a signatory to this Sublease, then Company is intended to be a third party beneficiary of this Sublease, even though Company has not signed.

(e) This Sublease, including the attachment, sets forth the entire agreement between the parties, and supersedes any and all prior agreements or understandings between them pertaining to the subject matter. No amendment, change, modification or variance to or from the terms and conditions in this Sublease shall bind any party unless it is set forth in a writing and duly executed by the parties. However, nothing in this Agreement is intended to disclaim representations which Company has made in Company's Franchise Disclosure Document which Franchisee acknowledges has been furnished to Franchisee.

(f) If any action or other proceeding is brought for unlawful detainer of the Premises, for breach of this Sublease, or concerning the Premises, the prevailing party shall be entitled to receive from the other party, in addition to any other relief that may be granted, its attorneys fees and costs incurred in the action or other proceeding. As used in this Sublease, the "prevailing party" is the party who recovers greater relief in the action.

The parties have executed this Sublease on the date first stated on page 1.

"Landlord"

"Sublessee"

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

[NAME OF CORPORATION OR
PARTNERSHIP]

By: _____

Name: _____

Title: _____

CONSENT OF MASTER LESSOR

The undersigned is the Master Lessor under the Master Lease and hereby consents to the above Sublease.

Dated: _____

"Landlord"

By: _____

Name: _____

Title: _____

EXHIBIT “A”

[COPY OF MASTER LEASE]

EXHIBIT G

GUARANTY OF SUBLEASE

GUARANTY OF SUBLEASE

FOR VALUABLE CONSIDERATION, the undersigned ("**Guarantor**"), to induce **YOSHINOYA AMERICA, INC.**, a Delaware corporation ("**Landlord**") to enter into that certain Sublease Agreement ("**Sublease**") dated as of _____, 20____ with _____, a _____ ("**Sublessee**"), and as a material inducement to Landlord to execute the Sublease, and as otherwise required as a condition of the Franchise Agreement entered into by and between Landlord in its capacity as franchisor (in such capacity, hereinafter referred to as "**Company**") and Sublessee, does hereby unconditionally, absolutely, unlimitedly, continuously, and irrevocably guarantee to Landlord, its successors and assigns, the full, prompt, and unconditional payment and due performance by Sublessee of each and every one of the terms, conditions, and covenants of the Sublease ("**Obligations**").

1. **Waiver and Consents.**

1.1. Guarantor waives:

a. Notice that Landlord accepted this Guaranty, and all notices and demands of any kind to which Guarantor may be entitled, including, but not limited to, demands of payment or performance, notice of non-payment, notice of amount of indebtedness outstanding at any time, notice of non-performance, notice of all renewals and extensions of Obligations covered by this Guaranty, presentments and protest and dishonor to the Guarantor or to Sublessee.

b. All rights to determine how, when and what application of payments and credits will be made on the Obligations.

c. Any and all benefits and any and all claims or defenses it may otherwise be entitled to as a guarantor or surety under applicable law, including but not limited to Sections 2787 through 2855 of the California Civil Code and/or any similar laws of California, or any state, or of the United States.

1.2. Guarantor waives notice of and consents to any amendment, modification, extension, or renewal of the Sublease, or any other agreement, between Landlord and Sublessee, the creation or incurring of new or additional Obligations, the taking of security for payment, the granting of additional time for payment, filing by or against Sublessee of bankruptcy, insolvency, reorganization, or other debtor's relief afforded under any present or future law or by the decision of any court, or any other matter, whether similar or dissimilar to any of the foregoing; and this Guaranty shall cover the terms and obligations of any such modifications, notes, security agreements, extensions, or renewals.

1.3. This Guaranty shall not be affected by any defect in the genuineness, validity, regularity, or enforceability of the Obligations or liability to Landlord, or any other circumstances whether or not referred to herein which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

1.4. Guarantor waives all rights it may otherwise be entitled to, and hereby consents to any agreement or arrangement with Sublessee, or anyone else, including, without limitation, agreements and arrangements for payment extensions, subordination, composition arrangements, discharge, or release of the whole, or any part, of the Obligations of Sublessee, or of other guarantors, or for the change or surrender of any and all security if any is ever taken.

1.5. Guarantors agree that Guarantors have no right of offset, subrogation, reimbursement, or indemnity whatsoever as against Landlord. If the Sublessee has a defense against Landlord, Guarantor shall have the same defense.

2. **Subordination.** Guarantor covenants and agrees that any indebtedness by Sublessee to Guarantor for any reason, currently existing or which might arise after the date hereof, shall at all times be inferior and subordinate to any indebtedness owed by the Sublessee to Landlord.

3. **Joint and Several Obligations.**

3.1. The Obligations, as created by this Guaranty, are independent of the obligations of Sublessee, and a separate action or actions may be brought and prosecuted against Guarantor whether brought against Sublessee, or whether Sublessee be joined in any such action or actions. The liability of the undersigned and of Sublessee shall be joint and several. Notwithstanding the above, the Guarantor shall have all defenses available to the Sublessee.

3.2. If more than one person executes a personal guaranty in favor of Landlord (whether or not in identical form), guarantying the Sublessee's payment or performance of the Obligations, each individual shall be jointly and severally liable for the Obligations. Landlord shall have recourse against any one guarantor, or all of them, or any combination of them, and Landlord's election to pursue recourse against fewer than all guarantors shall not discharge the others. Landlord may partially or fully release Sublessee or any other guarantor without obtaining Guarantor's consent and without affecting or impairing the Obligations under this Guaranty.

4. **Rights Cumulative.** All rights and remedies of Landlord under this Guaranty are cumulative and not alternative, and such rights and remedies are in addition to those given to Landlord by applicable law.

5. **Law; Venue; Attorneys' Fees.** California law shall govern the construction, interpretation, validity and enforcement of this Guaranty. All disputes arising out of or relating to this Guaranty shall be brought in the Superior Court of California for the County of Los Angeles. The parties submit to the jurisdiction of that court. The party prevailing in any action arising out of or relating to this Guaranty shall be entitled to receive from the other party, in addition to any other relief that may be granted, its attorneys' fees and costs incurred in the action.

6. **Partial Invalidity.** No invalidity, irregularity, or unenforceability of all or any part of the Obligations shall affect, impair, or be a defense to this Guaranty, and this Guaranty is a primary obligation of the undersigned.

7. **Obligation to be Informed.** Guarantor acknowledges, represents, and warrants to Landlord, that, in executing this Guaranty, and at all times hereinafter, Guarantor relies and will continue to rely on Guarantor's own investigations, and on sources other than Landlord, for all information and facts relating to the ability of Sublessee to pay and to perform Obligations, and Guarantor does not and will not hereafter rely on Landlord for any such information or facts, and

Guarantor will furnish to Landlord all facts known to and/or hereafter discovered by Guarantor relating to Sublessee's ability to pay and perform Obligations, and Guarantor does not and will not hereafter rely on Landlord for any such information or facts, and Guarantor independently reviewed the Franchise Agreement and/or any other agreements between Sublessee and Landlord.

8. **Notices.** All notices required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given on the earlier of: (i) the date when delivered by hand; (ii) one business day after delivery to a reputable national overnight delivery service for overnight delivery; or (iii) four (4) business days after being placed in the U.S. Mail and sent by certified or registered mail, postage prepaid, return receipt requested. All notices shall be addressed as follows:

If to Guarantor:

If to Landlord:

Yoshinoya America, Inc.
991 Knox Street
Torrance, California 90502
Attn: Property Management
franchising@yoshinoyaamerica.com

Either party may change its address for receiving notices by written notice to the other.

9. **Claim for Repayment.** If claim is ever made on Landlord for repayment or recovery of any amount or amounts received by Landlord in payment of or on account of any of the debts guaranteed this agreement and Landlord repays all or part of that amount by reason of (i) any judgment, decree, or order of any court or administrative body having jurisdiction over Landlord or any of Landlord's property, or (ii) any settlement or compromise of any such claim effected by Landlord with any such claimant (including the obligor), then and in any such event, the undersigned agrees that any such judgment, decree, order, settlement, or compromise shall be binding on the undersigned, notwithstanding revocation or release of this Guaranty, or cancellation of any note or other instrument evidencing any of the Obligations, or any release of any such Obligations, and the undersigned shall be and remain liable to Landlord for the amount repaid or recovered to the same extent as if such amount was never originally received by Landlord. The provisions of this paragraph shall survive and continue in effect, notwithstanding any revocation or release hereof.

10. Miscellaneous.

10.1. This Guaranty shall bind and benefit the parties, their successors-in-interest, heirs and personal representatives.

10.2. This Guaranty states the entire agreement between the parties, superseding any and all prior agreements or understandings between them pertaining to its subject. No amendment, change, modification or variance to or from the terms and conditions in this Guaranty shall be binding unless set forth in writing and duly executed by Guarantor.

10.3. No waiver of any default under this Guaranty shall be effective unless the waiver is stated in a writing duly executed by Landlord. No such waiver shall constitute a continuing waiver of the same or any other default or provision of this Guaranty or render unnecessary Landlord's consent to or approval of any other act or subsequent act.

11. **Waiver of Jury Trial.** GUARANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD, SUBLESSEE, AND/OR GUARANTOR ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE SUBLEASE, THIS GUARANTY, THE RELATIONSHIP OF LANDLORD AND SUBLESSEE, THE RELATIONSHIP OF LANDLORD, SUBLESSEE AND GUARANTOR, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY, OR OTHERWISE NOW OR HEREAFTER IN EFFECT.

IN WITNESS WHEREOF, Guarantor has executed this Agreement on the date set forth below.

Dated: _____

“Guarantor”

_____, Individually

EXHIBIT H

ADDENDUM TO LEASE

ADDENDUM TO LEASE DATED _____
BETWEEN _____, LANDLORD AND
_____ TENANT

RE: RIGHTS OF YOSHINOYA AMERICA, INC., A Delaware Corporation ("Company")

RECITALS

A. Company and Tenant (hereinafter referred to as "Tenant" and/or "Franchisee") are parties to a Franchise Agreement dated _____, 20____ (the "Franchise Agreement"), pursuant to which Company granted Franchisee a franchise and license to use the Yoshinoya system and Yoshinoya Marks in the operation of a Yoshinoya Restaurant at a designated Franchise Location, as such capitalized terms are defined in the Franchise Agreement, on the terms and conditions stated in the Franchise Agreement.

B. Company approved Franchisee's request to locate its Yoshinoya Restaurant on the property which is the subject of this Lease, provided that the conditions and agreements stated in this Addendum are part of the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment of Lease.

1.1. Franchisee irrevocably assigns and transfers to Company all of Franchisee's right, title, and interest in and to this Lease and all options contained therein. This assignment may not be revoked without Company's prior written consent, and may be accepted by Company and/or any assignee of, transferee or, or a successor-in-interest to Company (any such person or entity being referred to herein as "Assignee"), and take effect at any time under the terms and provisions of this Addendum.

1.2. Until Assignee accepts the assignment herein, Assignee shall have no obligations, liabilities, or responsibilities under this Lease or otherwise, including but not limited to obligations of the Landlord and/or Tenant hereunder, or any obligations as a guarantor or indemnitor.

2. Use of Property.

2.1. Notwithstanding anything to the contrary in this Lease, until Company delivers to Landlord notice in writing that grounds exist for termination of the Franchise Agreement:

(a) The Premises shall be used only for the operation of a Yoshinoya Restaurant and only during the operating hours established by Company, subject to local zoning restrictions, if any.

(b) Franchisee shall have the right to display all the Yoshinoya Marks, as they may be modified by Company from time to time. All exterior signs of Franchisee and all monument signs shall comply with the specifications in Exhibit "A" attached hereto or such additional specifications as may be reasonably adopted by Company.

(c) Company shall have the right to enter the Premises to inspect Franchisee's operation of the Yoshinoya Restaurant and engage in all activities expressly permitted by the Franchise Agreement.

2.2. If Company notifies Landlord in writing that grounds exist for termination of the Franchise Agreement, Franchisee thereafter will not engage in, and Landlord shall not thereafter permit, the sale of prepared oriental food on a quick service basis at the Premises.

2.3. Landlord agrees that during the term hereof, and for a period of two years thereafter, not to allow:

(a) Any quick service restaurant serving oriental food, or sale of prepared oriental food, on the Premises or on the Shopping Center or on contiguous lands leased, or controlled by Landlord;

(b) Any tenant in the Shopping Center to sell any food item described or designated as a "Beef Bowl", "Chicken Bowl", "Vegetable Bowl" or similar variation incorporating the name "Bowl" in the menu item description.

3. Default in Franchise Agreement.

3.1. Franchisee's default under the Franchise Agreement, for any reason, shall constitute an event of default under this Lease, which can be cured only if the Franchise Agreement default is timely cured by the Franchisee.

4. Notice to Company.

4.1. On request from Company, Landlord shall furnish Company with copies of all information pertaining to sales and activities of the Yoshinoya Restaurant in Landlord's possession, including copies of correspondence and reports received from Franchisee or reports prepared by others about the Yoshinoya Restaurant.

4.2. Landlord shall promptly furnish Company and Franchisee with a copy of any notice, report or citation which Landlord receives:

(a) Concerning an unhealthy, unsanitary, or unclean condition at Franchisee's Yoshinoya Restaurant; or

(b) Asserting, suggesting, or alleging that activities at, or the physical condition of, the Premises may, or do, violate any law or regulation.

5. Default by Franchisee.

5.1. Landlord agrees it shall not terminate or purport to terminate this Lease because of any actual or claimed default or breach hereunder by Franchisee if Assignee, within sixty (60) days after service of written notice on Company from Landlord of Landlord's intention to terminate this Lease for such breach or default, shall:

(a) Cure the breach or default if it can be cured by payment or expenditure of money provided to be paid under the terms of this Lease, specifically including, but limited to, payment of Rent, or if the default or breach is not so curable, commence and thereafter pursue to completion the steps and proceedings to obtain possession of the property, and thereafter cure the default.

(b) Keep and perform all the covenants and conditions of this Lease, requiring the payment or expenditure of money by Tenant until such time as Assignee shall have had the opportunity to terminate the leasehold interest of Franchisee, provided, however, that if Assignee fails or refuses to comply with the conditions of this section 5.1(b), then, and thereon, Landlord shall be released from the covenants of forbearance in Section 5.1 with respect to that breach or default.

(c) Assignee shall have no obligation to comply with the conditions of this section. If Assignee shall fail or refuse to comply with the conditions of this section, then and thereon Landlord shall be released from the conditions of forbearance in Section 5.1 with respect to that breach or default, and such release shall be the only remedy available to Landlord.

6. Acceptance of Assignment by Assignee.

6.1. Assignee shall have the right to accept the assignment herein if (1) either the Franchise Agreement expires or is terminated for any reason, or (2) Franchisee loses the right to occupy the Premises for any reason prior to expiration of the Lease. If Assignee accepts the assignment, Franchisee shall be deemed to be, from and after acceptance, a sublessee of Assignee on the terms and conditions in this Lease. All obligations of Franchisee to Landlord shall be deemed to be obligations of Franchisee to Assignee, and Assignee shall have all rights of a sublessor to terminate Franchisee's rights under this Lease as a sublessee, and to exercise all rights which the Landlord would have had and does have to obtain immediate possession of the Premises, to terminate the sublease, or any other remedy provided by law.

6.2. Assignee may accept the assignment by communicating in writing to Landlord of Assignee's acceptance of this Assignment.

7. Rights of Assignee Upon Acceptance of Assignment.

7.1 If Assignee accepts the assignment herein contained, then:

(a) Assignee shall have all rights of Franchisee under and to said Lease;

(b) Assignee shall have the right to assign, transfer, mortgage, or otherwise transfer, encumber, or sublet (collectively "Transferring") all or any part of its interest in this Lease or in the Premises, without Landlord's prior consent.

(c) Assignee shall be liable to perform the obligations of Franchisee under this Lease arising from and after the acceptance of the assignment by Assignee and continuing so long as Assignee holds title to the leasehold. Assignee shall have no obligation to perform any obligations of Franchisee which Franchisee did not perform prior to default unless said obligations were specifically set forth in the notice to Company provided in Section 5 above.

8. No Voluntary Surrender or Amendment.

8.1. For the benefit of Company, Landlord agrees not to accept a voluntary surrender of this Lease at any time before Landlord receives written notice that the Franchise Agreement between Company and Franchisee has been terminated. Landlord or Franchisee shall not subordinate or subject this Lease to any mortgage or encumbrance which may hereafter be placed on the fee or amend or alter any term or provision of this Lease without securing Company's prior written consent. Landlord and Franchisee shall not enter into any amendment or modification of this Lease without Company's prior written consent. Any purported amendment or modification made without Company's prior written consent shall not bind any Assignee.

9. Communications.

9.1. All notices and other communications required or permitted to be given by the parties under this Addendum (including any acceptance of the assignment by Assignee) shall be in writing and shall be deemed duly given on the earlier of.

(a) The date when delivered by hand;

(b) The date when delivered by a reputable national overnight delivery service; or

(c) Four (4) business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. All notices shall be addressed as follows:

Company: YOSHINOYA AMERICA, INC.
991 Knox Street
Torrance, California 90502

Phone: (310) 527-6060
Email: franchising@yoshinoyaamerica.com

With Copy to Company's
Counsel (which shall
not constitute notice): _____

Phone: _____

Fax: _____

Landlord:

Tenant:

Any party may change its address for receiving notices by appropriate written notice to the other parties.

(d) Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party charged with making the waiver and effective only to the extent specifically allowed in such writing. No waiver shall constitute a continuing waiver of the same or a waiver of any other provision.

(e) The provisions in this Addendum shall be construed simply according to their fair meanings and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies on any person or entity not a party hereto.

(f) This Addendum shall bind, and shall benefit, the successors, assigns, heirs, and personal representatives of the parties. The rights of Company hereunder may be assigned on one or more occasions in Company's sole discretion.

(g) This Addendum states the entire agreement with regard to the rights of Company, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. No amendment, change, modification, or variance to or from the terms and conditions in this Addendum shall be binding on any party unless set forth in a writing duly executed by each party.

10. Miscellaneous.

The signature of Company to this Addendum is not an acceptance of this Assignment and shall not be deemed to be, nor shall it impose any obligations on Company not specifically stated in this Addendum.

11. Waiver of Jury Trial.

LANDLORD, TENANT AND COMPANY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD, TENANT OR COMPANY ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS ADDENDUM, THE RELATIONSHIP OF LANDLORD, TENANT AND ASSIGNEE, THE USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY, OR OTHERWISE NOW OR HEREFTER IN EFFECT.

COMPANY: YOSHINOYA AMERICA, INC.

BY: _____

LANDLORD: _____

BY: _____

FRANCHISEE: _____

BY: _____

EXHIBIT I

**CONFIDENTIALITY, NON-DISCLOSURE AND
NON-COMPETITION AGREEMENT**

YOSHINOYA AMERICA, INC.

CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

The undersigned _____:

1. CHECK AND COMPLETE APPROPRIATE BOX:

- ☐ _____ is the Franchisee under, and signatory to, that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement") entered into with YOSHINOYA AMERICA, INC. ("Company") under which Franchisee has the right to own and operate a YOSHINOYA Restaurant under the conditions stated therein;
- ☐ _____ is an officer, director, member, manager or partner of _____, the entity that signed the Franchise Agreement as Franchisee;
- ☐ _____ is a shareholder, trustee, or owner of an interest in the equity or voting interests of _____, the entity that signed the Franchise Agreement as Franchisee; or
- ☐ _____ is an employee of _____, the entity that signed the Franchise Agreement as Franchisee.
- ☐ _____ is associated with _____, the entity that signed the Franchise Agreement as Franchisee in the following capacity: _____.

2. The undersigned acknowledges that to induce Company to grant Franchisee a license and franchise to operate a YOSHINOYA Restaurant, Franchisee agreed to sign, and to cause certain persons owning an interest in, or who are employed by, or associated with, Franchisee to sign, Company's form of Confidentiality and Non-Disclosure Agreement ("Agreement") for the benefit of Company. The undersigned acknowledges that for such reason, the undersigned is required to sign this Agreement. The undersigned read this Agreement and understands its terms and is willing to sign this Agreement for the benefit of Company.

3. The undersigned agrees as follows:

a. Nondisclosure of Confidential Information. The undersigned agrees not to disclose, duplicate, sell, reveal, divulge, publish, furnish or communicate, directly or indirectly, any Confidential Information (as defined below) of Company to any other person, firm or entity, unless authorized in writing by Company. The undersigned agrees not to use any Confidential Information for his or her own personal gain or to further the purposes of others, whether or not the Confidential Information has been conceived, originated, discovered or developed, in whole or in part, by the undersigned or represents the undersigned's work product. To the extent the undersigned assisted in preparation of any information which Company considers to be Confidential Information or prepared or created such information by himself or herself, the undersigned assigns any rights he or she may have in such information as creator to Company, including all ideas made or conceived by the undersigned.

b. Definition of Confidential Information. “Confidential Information” includes, without limitation, the following: any information or knowledge concerning methods for constructing, equipping or operating a YOSHINOYA Restaurant; knowledge of pricing, sales and profit performance at YOSHINOYA Restaurants; knowledge of sources and suppliers of goods, services, equipment, fixtures, furnishings and other items used in operating YOSHINOYA Restaurants; knowledge regarding ingredients, recipes and food preparation processes; demographic data for determining restaurant sites and exclusive territories; results of customer surveys and promotional programs; and, in general, methods, specifications, customer data, pricing and cost data, procedures, information systems and knowledge in the operation of YOSHINOYA Restaurants, whether now known or in existence or hereafter acquired or created, and whether or not included in Company’s Systems Manual. Confidential Information does not include (i) information which Franchisee or the undersigned demonstrates came to its, his or her attention independent of the YOSHINOYA franchise, and prior to Company’s disclosure of the information in the Systems Manual or otherwise, and (ii) information that Company agrees is, or has become, generally known in the public domain, except where public knowledge is the result of wrongful disclosure (whether or not deliberate or inadvertent).

c. Return of Proprietary Materials. On expiration or termination of the Franchise Agreement, the undersigned shall surrender to Franchisee, or, if directed by Company, directly to Company, all materials in the possession of the undersigned relating or concerning any Confidential Information. The undersigned acknowledges that such materials shall be and remain the sole property of Company.

d. Restriction of Competition During Term of Franchise Agreement.

(1) This Paragraph d. shall apply to the activities of the undersigned conducted anywhere in the world for a period equal in duration to the term of the Franchise Agreement, including any renewal terms; provided, however, if the undersigned ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee prior to the expiration or termination of the Franchise Agreement, then the restrictions in this Paragraph d. shall no longer apply to the undersigned after 2 years from the date the undersigned ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

(2) During the time period and within the geographic area described in subparagraph (1), the undersigned shall not, directly or indirectly, own, engage in or render services, whether as an investor, partner, lender, officer, director, manager, employee, consultant, representative or agent, to any restaurant which predominantly serves menu items denominated as a “Bowl” or any business which produces, manufactures or sells Japanese foods which include rice bowls of any kind.

(3) During the time period and within the geographic area stated in subparagraph (1), the undersigned may engage in any activity not expressly prohibited by this Paragraph d. However, in connection with these permitted activities, the undersigned agrees not to (i) use, in any manner whatsoever, the YOSHINOYA Marks or the Confidential Information, (ii) engage in any conduct or activity that suggests or implies that Company is associated with, or authorizes, the activities engaged in by the undersigned; (iii) induce any other person to engage in conduct proscribed in this Paragraph d.; or divert customers away from any YOSHINOYA Restaurant.

e. Additional Post-Term Agreements Regarding Competition.

(1) The agreements in this Paragraph e. shall apply to the undersigned throughout the 2 years following the expiration or termination of the Franchise Agreement for any reason, or an assignment of the franchise by Franchisee under the conditions stated in the Franchise Agreement, whichever occurs first; provided, however, if the undersigned ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee prior to the expiration or termination of the Franchise Agreement, then the restrictions in this Paragraph d. shall no longer apply to the undersigned after 2 years from the date the undersigned ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

(2) The restrictions in this Paragraph e. shall apply to the undersigned's activities conducted anywhere within a radius of 25 miles from: (i) the Franchise Location (as defined in the Franchise Agreement), and (ii) any other YOSHINOYA Restaurant (regardless of whether the YOSHINOYA Restaurant opens before or after the date of this Agreement, or is opened by another franchisee, Company or a person or entity related or affiliated with Company).

(3) During the time period and within the geographic area described in subparagraphs (1) and (2) of this Paragraph e., the undersigned shall not, directly or indirectly, own, engage in or provide any services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any restaurant which predominantly serves menu items denominated as a "Bowl" or any business which produces, manufactures or sells Japanese foods which include rice bowls of any kind.

(4) The parties acknowledge that the undersigned may engage in any activities not expressly prohibited by this Paragraph e. However, in connection with such permitted activities, the undersigned agrees not to (i) use, in any manner whatsoever, the YOSHINOYA Marks or the Confidential Information; (ii) engage in any conduct or activity which suggests or implies that Company is associated with, or authorizes, the activities engaged in by the undersigned; (iii) induce any other person to engage in conduct proscribed in this Paragraph e.; or (iv) divert customers away from any YOSHINOYA Restaurant.

f. Ownership of Stock in Public Corporation. Notwithstanding anything to the contrary, this agreement does not prohibit the undersigned from owning 5% or less of the voting stock of a Publicly Held Corporation (as defined in the Franchise Agreement) that operates restaurants which predominantly serve menu items denominated as a "Bowl" or produces, manufactures or sells Japanese foods which include rice bowls of any kind.

g. Irreparable Harm to Company. The undersigned understands and agrees that Company will suffer irreparable injury not capable of precise measurement in monetary damages if the Confidential Information is obtained by any person, firm or corporation and is used in competition with Company or another YOSHINOYA Franchisee, or if the undersigned breaches the covenants set forth in this Agreement. Accordingly, in the event of a breach of this Agreement by the undersigned, the undersigned consents to entry of interim relief, including, without limitation, the entry of a temporary restraining order, preliminary injunction, permanent injunction, writ of attachment, appointment of a receiver, and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted. The undersigned agrees that the award of equitable remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

h. Validity; Conformity With Applicable Law. Each provision of this Agreement shall be interpreted in such manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited thereunder, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

i. Dispute Resolution. Any dispute arising from or relating to this Agreement, also including any claim that this Agreement (including this Section 3(e)(i)) was induced by misrepresentation or fraud, shall be resolved by arbitration according to the Commercial Rules of Arbitration of American Arbitration Association. Arbitration shall be conducted by a single arbitrator. The arbitration shall be conducted in Los Angeles, California. The arbitrator shall have authority to award or include in the award any relief which the arbitrator deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and injunctive relief. Discovery shall be permitted in the arbitration in accordance with California Code of Civil Procedure Section 1283.05 and 1283.1(b). Judgment on the award of the arbitrator may be entered in and enforced by any court of competent jurisdiction. This arbitration provision is self-executing and a properly noticed arbitration may proceed despite a party's failure to appear or participate. This agreement to arbitrate shall continue in effect subsequent to and regardless of expiration or termination of this Agreement. Except as otherwise provided in Paragraph g., the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement. The party prevailing in any action arising out of or relating to this Agreement shall be entitled to receive from the other party, in addition to any other relief that may be granted, its attorneys fees and costs incurred in the action. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

j. Savings Clause. To the extent any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited and/or length of time, but could be enforceable if modified, the undersigned agrees that the provision shall be reduced in scope in order that this Agreement, as modified, may be enforced to the fullest extent permissible under the laws of the jurisdiction in which enforcement is sought. If any provision of this Agreement is determined to be void or unenforceable under California law (the governing law selected by the parties pursuant to Paragraph 3.i.), but would be enforceable as written or as modified under the laws of the state in which Franchisee's YOSHINOYA Restaurant is located (the "Local Laws"), then the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of this Agreement.

k. Miscellaneous.

(2) Any waiver granted to the undersigned by Company excusing or reducing any obligation or restriction imposed under this Agreement shall be evidenced by a writing executed by Company in order to be effective and shall only be effective to the extent specifically allowed in such writing. No such waiver shall constitute a continuing waiver of the same or any other default or provision of this Agreement or render unnecessary Company's consent to or approval of any other act or subsequent act. Any waiver granted by Company shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative and non-exclusive. No delay on the part of Company in exercising any right or remedy shall operate as a waiver thereof.

(3) This Agreement sets forth the entire agreement pertaining to the subject matter hereof, fully superseding any and all prior agreements or understandings that may exist between the undersigned and the Company pertaining to such subject matter. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on the undersigned unless it is set forth in a writing and duly executed by the undersigned and Company.

(4) This Agreement shall be binding on the undersigned's heirs, executors, successors and assigns as though originally executed by such persons.

(5) The parties agree that all capitalized terms in this Agreement shall have the same meaning assigned to them in the Franchise Agreement and incorporate such definitions herein.

IN WITNESS WHEREOF, the undersigned has entered into this Agreement as of the date shown above the undersigned's signature.

DATED: _____

Signature

Print Name

EXHIBIT J

PERSONAL GUARANTY

PERSONAL GUARANTY AND SUBORDINATION AGREEMENT

The undersigned ("Guarantor"), to induce YOSHINOYA AMERICA, INC. ("Company"):

(i) to enter into that certain Franchise Agreement dated _____, 20____
(the "Franchise Agreement") with _____ as Franchisee (the
"Corporation");

(ii) to permit assignment of the Franchise Agreement to the Corporation by
the individual or individuals who are the original signatories of the Franchise Agreement as
franchisee, or

(iii) as otherwise required as a condition of the Franchise Agreement,

enters into this Guaranty and Subordination Agreement ("Guaranty") for the benefit of Company and unconditionally, absolutely, jointly and severally, personally guarantees to Company, its successors and assigns, the full, timely and complete payment and performance of all obligations of the Corporation which are or may become due and owing to Company or to any entity affiliated with Company, including, but not limited to, all obligations arising out of the Franchise Agreement, any Sublease by and between the Corporation and Company or any entity now or hereafter affiliated with Company, and any other agreement now or hereafter existing between Company and the Corporation (collectively, the "Guaranteed Obligations") in the same manner as if the Franchise Agreement, Sublease or other agreement was entered into by Company and Guarantor directly. The obligations of Guarantor under this Guaranty are independent of the obligations of the Corporation or any other guarantor, and shall be continuing and irrevocable until all of the Guaranteed Obligations have been fully satisfied.

1. Waivers; Amendments.

a. Guarantor waives (i) notice that Company accepted, or will accept, money or other consideration from the Corporation or for the Corporation's benefit, (ii) notice that the Corporation incurred, or will incur, any new or additional obligations or liability to Company or to any entity affiliated with Company, and (iii) any and all other notices and demands to which it may be entitled under applicable law.

b. Guarantor waives all rights to determine how, when and what application of payments and credits will be made on the Guaranteed Obligations.

c. This Guaranty shall not be affected by the amendment, modification, extension or renewal of any agreement between Company and the Corporation, by the creation or incurring of new or additional Guaranteed Obligations, the taking of security for payment, the granting of additional time for payment, the filing by or against the Corporation of bankruptcy, insolvency, reorganization or other debtor's relief afforded under any present or future law or by the decision of any court, or any other matter, whether similar or dissimilar to any of the foregoing; and this Guaranty shall cover the terms and obligations of any such modifications, notes, security agreements, extensions, or renewals.

d. This Guaranty shall not be affected by any defect in the genuineness, validity, regularity, or enforceability of the Corporation's obligations or liability to Company, or any other circumstances whether or not referred to herein which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

e. Guarantor waives all rights it may otherwise be entitled to by reason of Company's failure to enforce, or delay in enforcing, any of Company's rights with respect to the Guaranteed Obligations.

f. Guarantor waives any and all benefits it may otherwise be entitled to as a guarantor or surety under applicable law, including the provisions of California Civil Code Sections 2787 through 2855.

g. Guarantor's liability under this Guaranty shall not be contingent on Company's exercise or enforcement of any remedy it may have against the Corporation or others, or the enforcement of any lien or realization upon any security Company may at any time possess.

2. Subordination. Guarantor covenants and agrees that any indebtedness by the Corporation to Guarantor for any reason, currently existing or which might arise after the date hereof, shall at all times be inferior and subordinate to any indebtedness owed by the Corporation to Company. As long as the Corporation owes any monies to Company (other than fees or payments that are not past due), the Corporation will not pay, and Guarantor will not accept payment of, any part of any indebtedness which may be owed by the Corporation to Guarantor, either directly or indirectly, without Company's prior written consent.

3. Joint and Several Obligations. If more than one person executes a personal guaranty in favor of Company (whether or not in identical form), guarantying the Corporation's payment or performance of the Guaranteed Obligations, each individual shall be jointly and severally liable for the Guaranteed Obligations. Company shall have recourse against any one guarantor, or all of them, and its election to pursue recourse against fewer than all guarantors shall not discharge the others. Company may partially or fully release the Corporation or any other guarantor without obtaining Guarantor's consent and without affecting or impairing Guarantor's obligations under this Guaranty.

4. Rights Cumulative. All rights and remedies of Company under this Guaranty are cumulative and not alternative, and such rights and remedies are in addition to those given to Company by applicable law.

5. Dispute Resolution. California law shall govern the construction, interpretation, validity and enforcement of this Guaranty. Any dispute arising from or relating to this Guaranty, also including any claim that this Guaranty (including this Section 5) was induced by misrepresentation or fraud, shall be resolved by arbitration according to the Commercial Rules of Arbitration of American Arbitration Association. Arbitration shall be conducted by a single arbitrator. The arbitration shall be conducted in Los Angeles, California. The arbitrator shall have authority to award or include in the award any relief which the arbitrator deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and injunctive relief. Discovery shall be permitted in the arbitration in accordance with California Code of Civil Procedure Section 1283.05 and 1283.1(b). Judgment on the award of the arbitrator may be entered in and enforced by any court of competent jurisdiction. This arbitration provision is self-executing and a properly noticed arbitration may proceed despite a party's failure to appear or participate. This agreement to arbitrate shall continue in effect subsequent to and regardless of expiration or termination of this Agreement.

6. Miscellaneous.

a. All notices required or permitted to be given to either party shall be in writing and shall be deemed duly given on the earlier of: (i) the date when delivered by hand; (ii) one business day after delivery to a reputable national overnight delivery service; or (iii) 4 business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. All notices shall be addressed as follows:

If to Guarantor: _____

Fax: _____

If to Company: _____

991 Knox Street
Torrance, California 90502
franchising@yoshinoyaamerica.com

Either party may change its address for receiving notices by appropriate written notice to the other.

b. This Guaranty shall be binding on, and shall benefit, Guarantor's successors-in- interest, heirs and personal representatives.

c. This Guaranty sets forth the entire agreement between the parties, fully superseding any and all prior agreements or understandings between them pertaining to the subject matter hereof. No amendment, change, modification or variance to or from the terms and conditions set forth in this Guaranty shall be binding unless it is set forth in a writing and duly executed by Guarantor.

d. No waiver of any default under this Guaranty shall be effective unless the waiver is evidenced by a writing duly executed by Company. No such waiver shall constitute a continuing waiver of the same or any other default or provision of this Guaranty or render unnecessary Company's consent to or approval of any other act or subsequent act.

If Guarantor is a married individual and his or her spouse is not also required by Company to execute this Guaranty as a guarantor, Guarantor's spouse shall execute the Spousal Consent attached as Exhibit "A."

IN WITNESS WHEREOF, Guarantor has executed this Guaranty on the date set forth

"Guarantor"

Name

(Please sign without title)

Dated: _____

**EXHIBIT “A” CONSENT OF
SPOUSE**

See Exhibit O of this Franchise Disclosure Document

EXHIBIT K

YOSHINOYA RESTAURANTS

FRANCHISED LOCATIONS OPERATING AS OF DECEMBER 31, 2023

CALIFORNIA				
Cupertino	19825 Stevens Creek Blvd.	Cupertino, CA 95014	408-253-8049	Caroline Medina
El Monte	11030 Lower Azusa Rd.	El Monte, CA 91731	626-422-2333	Ji Soo Kim & Sun Mi Park
Fullerton	450 N. State College Blvd.	Fullerton, CA 92831	714-680-0800	Suk Ahn
Lancaster	1100-B West Avenue K	Lancaster, CA 93534	661-942-4477	Ariel & Marlene Hutalla
Los Angeles	3081 N. San Fernando Road	Los Angeles, CA 90065	323-258-4142	Virode Pukasamsombut
Los Angeles	2850 S. Crenshaw Blvd.	Los Angeles, CA 90016	323-766-9220	Yasuhiko Sugimoto
Los Angeles	2215 Vermont Ave.	Los Angeles, CA 90007	323-732-1516	Haroutun Keshishian
Los Angeles	1570 S. Western Ave.	Los Angeles, CA 90006	323-733-4623	Susie Shim
Los Angeles	1902 Marengo St.	Los Angeles, CA 90033	323-224-0466	Roger Moussa; Chris Muradyan
North Hollywood	6050 Lankershim Blvd.	North Hollywood, CA 91606	818-762-3888	Andy Pukasamsombut & Chanya Suzuki
Northridge	18441 Nordhoff St.	Northridge, CA 91325	818-885-5133	Roger Moussa; Chris Muradyan
Ontario	4323 Ontario Mills Circle	Ontario, CA 91764	909-256-4258	Michael Zhou
Palmdale	540 Rancho Vista Blvd.	Palmdale, CA 93551	661-794-2270	Ariel Hutalla & Marlene Hutalla
Palmdale	38135 47 th St East, Suite B	Palmdale, CA 93535	661-878-8109	Ariel Hutalla
Pico Rivera	5076 Rosemead Blvd.	Pico Rivera, CA 90660	562-801-8333	Li (Lily) Xing & Moashan (Sam) Fu
Redlands	2072 W. Redlands Blvd.	Redlands, CA 92373	909-792-9000	Yong Xiang Chen
Rosemead	7613 Garvey Avenue	Rosemead, CA 9770	626-927-9391	Li (Kevin) Foo
Santa Barbara	UCSB Courtyard Café	Santa Barbara, CA	805-364-5053	Kevin Lam
Santa Clarita	27592 Sierra Highway	Santa Clarita, CA 91351	661-252-2695	David Chung
Santa Fe Springs	11400 Washington Blvd.	Santa Fe Springs, CA 90606	562-695-3848	Indra Rustandi
Sylmar	12902 Foothill Blvd.	Sylmar, CA 91342	818-365-7444	Roger Moussa
UCLA Campus	Court of Sciences Student Center	Los Angeles, CA 90095	310-443-3681	Roger Moussa; Chris Muradyan
Wilmington	140 W. Anaheim Street	Wilmington, CA 90744	310-684-1170	Kevin Trinh; Kentaro Matsumura

**FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT
OPENED AS OF DECEMBER 31, 2023**

CALIFORNIA				
Banning	775 E. Ramsey St.	Banning, CA 92220	818-383-6886	Kenny Pang

FRANCHISEES WHO HAVE HAD AN OUTLET TERMINATED, CANCELLED, NOT RENEWED OR OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT DURING THE FISCAL YEAR ENDED DECEMBER 31, 2023:

NONE

FRANCHISEES WHO HAVE NOT COMMUNICATED WITH US WITHIN 10 WEEKS OF AN APPLICATION DATE:

NONE

COMPANY-OWNED LOCATIONS OPERATING AS OF DECEMBER 31, 2023

CALIFORNIA			
Alhambra	1701 W. Valley Blvd.	Alhambra, CA 91803	626-570-9133
Bakersfield	1519 White Lane	Bakersfield, CA 93307	661-412-9224
Burbank	1215 N. San Fernando Blvd.	Burbank, CA 91504	818-556-5623
Canoga Park	7300 Topanga Canyon Blvd.	Canoga Park, CA 91303	818-340-2103
Carson	101 E. Carson Street	Carson, CA 90745	310-835-9043
Chatsworth	9157A De Soto Ave.	Chatsworth, CA 91311	818-435-7606
Chula Vista	1299 Broadway	Chula Vista, CA 91910	619-422-2199
City of Industry	15685 Valley Blvd.	City of Industry, CA 91744	626-330-9820
Commerce	2460 S. Atlantic Blvd.	Commerce, CA 90040	323-825-4049
Compton	152 East Compton Blvd. #96	Compton, CA 90220	424-242-8060
Corona	401 S. Lincoln Ave. Unit-C	Corona, CA 92882	951-549-9294
Covina	420 N. Azusa Ave.	Covina, CA 91722	626-858-0801
Culver City	5495 Sepulveda Blvd	Culver City, CA 90230	310-370-4357
Downey	7910 Florence Ave.	Downey, CA 90240	562-928-1603
El Monte	3532 N. Peck Road	El Monte, CA 91731	626-442-4277
El Monte	10534 Garvey Ave., #101	El Monte, CA 91733	626-401-0132
Fontana	16833 Valley Blvd.	Fontana, CA 92336	909-428-6732
Garden Grove	13512 Harbor Blvd.	Garden Grove, CA 92843	714-534-4355
Gardena	1825 Redondo Beach Blvd.	Gardena, CA 90249	310-532-3063
Gardena	14225 S. Vermont Ave.	Gardena, CA 90247	310-516-7863

CALIFORNIA			
Glendale	100 W. Colorado Blvd.	Glendale, CA 91203	818-240-5561
Hawthorne	14308 Prairie Ave.	Hawthorne, CA 90250	310-978-3074
Huntington Park	2667 E. Florence Ave., #G	Huntington Park, CA 90255	323-583-8025
Inglewood	10025 Hawthorne Blvd.	Inglewood, CA 90304	310-677-9543
Lakewood	5605 Woodruff Ave.	Lakewood, CA 90713	562-867-4272
Lawndale	17070 Hawthorne Blvd.	Lawndale, CA 90260	310-370-7055
Lincoln Heights	2500 Pasadena Avenue	Los Angeles, CA 90031	323-222-9705
Long Beach	590 East Willow Street	Long Beach, CA 90806	562-427-5818
Los Angeles	1900 S. San Pedro St., #1	Los Angeles, CA 90011	213-748-1908
Los Angeles	1004 W. Slauson	Los Angeles, CA 90044	213-565-3506
Los Angeles	1201 S. Soto St.	Los Angeles, CA 90023	323-269-3575
Los Angeles	1461 S. La Cienega Blvd.	Los Angeles, CA 90035	310-659-4662
Los Angeles	642 S. Alvarado St.	Los Angeles, CA 90057	213-483-2455
Los Angeles	2897 Olympic Blvd.	Los Angeles, CA 90006	213-382-0184
Los Angeles	1777 E. Olympic Blvd.	Los Angeles, CA 90021	213-327-1070
Los Angeles	700 N. Vermont Ave.	Los Angeles, CA 90029	323-668-1935
Los Angeles	4202-4204 Beverly Blvd.	Los Angeles, CA 90004	213-384-1557
Los Angeles	4000 S. Vermont Avenue	Los Angeles, CA 90007	323-231-4378
Los Angeles	539 East Florence Ave., #C	Los Angeles, CA 90003- 2235	323-971-4560
Los Angeles	4846 W. Pico Blvd.	Los Angeles, CA 90019	323-931-9972
Los Angeles	3021 S. Figueroa St.	Los Angeles, CA 90007	213-749-3911
Los Angeles (Hollywood)	1075 N. Western Ave. # 109	Los Angeles, CA 90038	323-871-0877
Los Angeles	6238 Santa Monica Blvd.	Los Angeles, CA 90038	323-472-6051
Maywood	4407 E. Slauson Ave.	Maywood, CA 90270	323-560-8567
Monrovia	707 E. Huntington Dr.	Monrovia, CA 91016	626-303-0408
Montebello	1479 N. Montebello Blvd.	Montebello, CA 90640	323-726-6250
Monterey Park	2121 South Atlantic Blvd.	Monterey Park, CA 91754	323-825-4122
Moreno Valley	24318 Hemlock Ave. #H	Moreno Valley, CA 92553	909-243-1231
North Hollywood	12850 Sherman Way	North Hollywood, CA 91605	818-503-9626
Norwalk	12555 Alondra Blvd.	Norwalk, CA 90650	562-404-9311
Ontario	405 N. Vineyard Ave., #C	Ontario, CA 91764	909-937-6832
Orange	1273 Tustin Ave.	Orange, CA 92667	714-639-0554
Panorama City	8267 Sepulveda Blvd.	Panorama City, CA 91402	818-894-9108
Panorama City	13750 Roscoe Blvd.	Panorama City, CA	818-891-3494
Paramount	14551 Lakewood Blvd. #A-2	Paramount, CA 90723	562-272-4531
Pasadena	1441 E. Colorado Blvd.	Pasadena, CA 91106	626-449-7065
Pomona	2102 S. Gare Ave.	Pomona, CA 91766	909-591-3183
Reseda	6800 Reseda Blvd., #H	Reseda, CA 91335	818-996-8365
Riverside	3501 Madison St.	Riverside, CA 92504	909-353-2274
Rowland Heights	18389 Coloma Road	Rowland Heights, CA 91748	626-810-3764

CALIFORNIA			
San Fernando	317 San Fernando Mission Rd.	San Fernando, CA 91340	818-361-0122
Santa Ana	1701 N. Broadway St., #A	Santa Ana, CA 92706	714-953-8481
Santa Fe Springs	11536 Telegraph Road	Santa Fe Springs, CA 90670	562-929-3772
Santa Monica	2360 Pico Blvd.	Santa Monica, CA 90405	310-450-2004
South Gate	3506 Tweedy Blvd.	South Gate, CA 90280	323-564-9934
Spring Valley	1025 Sweetwater Rd.	Spring Valley, CA 91977	619-567-7511
Stanton	12505 Beach Blvd., #B1	Stanton, CA 90680	714-895-9890
Temple City	5721 Rosemead Blvd.	Temple City, CA 91780	626-292-1120
Torrance	1603 W. Sepulveda Blvd.	Torrance, CA 90501	310-539-8319
Tustin	14510 Newport Ave.	Tustin, CA 92680	714-544-9733
Upland	1261 Foothill Blvd., #C	Upland, CA 91786	909-946-0024
Van Nuys	6562-6564 Van Nuys Blvd.	Van Nuys, CA 91401	818-787-0533
Walnut	1269 N. Grand Avenue	Walnut, CA 91789	909-895-0549
West Covina	1130 S. Glendora Ave.	West Covina, CA 91790	626-918-1482
Westchester	5656 Manchester Ave.	Westchester, CA 90045	310-338-1148

EXHIBIT L

FINANCIAL STATEMENTS

Table of Contents

	Page
Report of Independent Auditors	1
Financial Statements	
Balance Sheets	4
Statements of Income	5
Statements of Stockholder's Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8



Report of Independent Auditors

The Board of Directors and Stockholder
Yoshinoya America, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yoshinoya America, Inc., which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of income, stockholder's equity, and cash flows for each of the years in the three year-period ended December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Yoshinoya America, Inc. as of December 31, 2022, 2021, and 2020, and the results of its operations and its cash flows for each of the years in the three year-period ended December 31, 2023, and the related notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Yoshinoya America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 Yoshinoya America, 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 Yoshinoya America, 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.



Los Angeles, California
March 15, 2024

Financial Statements

Yoshinoya America, Inc.
Balance Sheets
December 31, 2023, 2022, and 2021

	ASSETS		
	2023	2022	2021
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,971,754	\$ 7,465,204	\$ 8,251,503
Rebates receivable	803,124	986,718	703,882
Accounts receivable	2,000,557	2,127,600	1,223,744
Employee retention tax credit receivable	-	9,712,496	-
Inventories	1,264,474	1,146,068	984,546
Prepaid expenses and other current assets	2,448,086	2,640,916	2,235,554
Total current assets	16,487,995	24,079,002	13,399,229
PROPERTY, PLANT, AND EQUIPMENT, net	22,469,419	16,366,519	16,011,219
OPERATING LEASE RIGHT-OF-USE ASSET	27,513,946	26,648,025	-
GOODWILL, net	1,954,793	2,199,142	2,443,491
DEPOSITS AND OTHER NON-CURRENT ASSETS	503,931	287,514	310,514
DEFERRED TAX ASSET, net	3,600,732	4,603,331	-
Total assets	<u>\$ 72,530,816</u>	<u>\$ 74,183,533</u>	<u>\$ 32,164,453</u>
LIABILITIES AND STOCKHOLDER'S EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 1,968,811	\$ 1,844,399	\$ 778,750
Accrued compensation and related benefits	1,278,656	1,502,666	2,884,450
Accrued workers compensation	1,700,000	1,934,978	1,844,907
Other accrued liabilities	1,749,268	1,286,311	1,834,525
Current portion of operating lease liabilities	6,421,259	6,726,811	-
Current portion of notes payable	-	6,000,000	-
Sales tax payable	872,036	831,634	713,874
Due to parent	330,485	323,310	698,425
Total current liabilities	14,320,515	20,450,109	8,754,931
NOTES PAYABLE, long-term	-	-	6,000,000
DEFERRED RENT	-	-	936,894
OPERATING LEASE LIABILITIES, long-term	21,832,045	20,750,817	-
OTHER LONG-TERM LIABILITIES	865,563	683,556	574,775
Total liabilities	<u>37,018,123</u>	<u>41,884,482</u>	<u>16,266,600</u>
STOCKHOLDER'S EQUITY			
Common stock, no par value; authorized, 10,000 shares; issued and outstanding, 1 share	18,008,768	18,008,768	18,008,768
Retained earnings (accumulated deficit)	17,503,925	14,290,283	(2,110,915)
Total stockholder's equity	<u>35,512,693</u>	<u>32,299,051</u>	<u>15,897,853</u>
Total liabilities and stockholder's equity	<u>\$ 72,530,816</u>	<u>\$ 74,183,533</u>	<u>\$ 32,164,453</u>

See accompanying notes.

Yoshinoya America, Inc.
Statements of Income
Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
REVENUE			
Restaurant sales, net	\$ 120,044,594	\$ 119,651,234	\$ 110,789,115
Royalty fee revenue	1,312,469	1,288,721	1,248,212
Marketing fee revenue	1,010,639	993,329	953,151
Total revenue	<u>122,367,702</u>	<u>121,933,284</u>	<u>112,990,478</u>
COSTS AND EXPENSES			
Food, beverage, and paper supplies	37,811,983	40,206,417	35,285,755
Labor and benefits	38,701,990	40,655,407	37,876,980
Occupancy and restaurant operating	28,699,711	26,409,951	24,396,259
General and administrative	7,698,690	6,326,011	7,186,797
Depreciation and amortization	3,876,122	4,062,246	4,992,109
Royalty fee expense	1,481,301	1,472,490	1,366,603
Impairment of restaurant assets	168,262	265,797	1,248,338
Total costs and expenses	<u>118,438,059</u>	<u>119,398,319</u>	<u>112,352,841</u>
OPERATING INCOME	<u>3,929,643</u>	<u>2,534,965</u>	<u>637,637</u>
OTHER INCOME (EXPENSES)			
Interest income	601,403	52,109	13,747
Interest expense	(330,586)	(328,687)	(349,493)
Paycheck Protection Program loan forgiveness	-	-	6,954,654
Employee retention tax credit income	-	9,535,654	-
Other income	261,907	101,076	1,044,289
Total other income	<u>532,724</u>	<u>9,360,152</u>	<u>7,663,197</u>
INCOME BEFORE (EXPENSE) BENEFIT FOR INCOME TAXES	4,462,367	11,895,117	8,300,834
INCOME TAX (EXPENSE) BENEFIT	<u>(1,248,725)</u>	<u>4,506,081</u>	<u>(684,183)</u>
NET INCOME	<u>\$ 3,213,642</u>	<u>\$ 16,401,198</u>	<u>\$ 7,616,651</u>

See accompanying notes.

Yoshinoya America, Inc.
Statements of Stockholder's Equity
Years Ended December 31, 2023, 2022, and 2021

	Common Stock		Retained	Total
	Shares	Amount	Earnings	Equity
BALANCE, December 31, 2020	1	\$ 18,008,768	\$ (9,727,566)	\$ 8,281,202
Net Income	-	-	7,616,651	7,616,651
BALANCE, December 31, 2021	1	18,008,768	(2,110,915)	15,897,853
Net income	-	-	16,401,198	16,401,198
BALANCE, December 31, 2022	1	18,008,768	14,290,283	32,299,051
Net income	-	-	3,213,642	3,213,642
BALANCE, December 31, 2023	1	\$ 18,008,768	\$ 17,503,925	\$ 35,512,693

See accompanying notes.

Yoshinoya America, Inc.
Statements of Cash Flows
Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 3,213,642	\$ 16,401,198	\$ 7,616,651
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	3,876,123	4,062,247	4,992,109
Operating non-cash lease expense	(90,245)	(107,291)	-
Deferred rent	-	-	5,622
Impairment of restaurant assets	168,262	265,797	1,248,338
Paycheck Protection Program loan forgiveness	-	-	(6,879,552)
Deferred tax asset	1,002,599	(4,603,331)	-
Employee retention tax credit receivable	-	(9,712,496)	-
Bad debt expense	195,150	-	-
Changes in operating assets and liabilities			
Accounts and rebates receivable	(84,513)	(1,186,692)	(829,994)
Employee retention tax credit receivable	9,712,496	-	-
Inventories	(118,406)	(161,522)	(212,276)
Prepaid expenses and other current assets	192,830	(405,362)	(1,550,091)
Deposits and other non-current assets	(216,417)	23,000	11,143
Accounts payable	124,412	1,065,649	(67,672)
Accrued liabilities	3,969	(1,839,927)	1,775,766
Sales tax payable	40,402	117,760	(128,360)
Due to parent	7,175	(375,115)	386,193
Other long-term liabilities	182,007	108,781	(1,283,804)
Net cash provided by operating activities	18,209,486	3,652,696	5,084,073
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(9,702,936)	(4,438,995)	(2,570,424)
Acquisition of franchise locations	-	-	(1,203,253)
Net cash used in investing activities	(9,702,936)	(4,438,995)	(3,773,677)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments made on term loan	(6,000,000)	-	-
Payments made on lines of credit	-	-	(6,000,000)
Other payments	-	-	(268,243)
Net cash used in financing activities	(6,000,000)	-	(6,268,243)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,506,550	(786,299)	(4,957,847)
CASH AND CASH EQUIVALENTS, beginning of year	7,465,204	8,251,503	13,209,350
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 9,971,754</u>	<u>\$ 7,465,204</u>	<u>\$ 8,251,503</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for			
Interest	<u>\$ 330,586</u>	<u>\$ 328,687</u>	<u>\$ 349,493</u>
Taxes	<u>\$ 380,000</u>	<u>\$ 253,000</u>	<u>\$ 325,000</u>
Operating leases	<u>\$ 7,635,980</u>	<u>\$ 7,864,535</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH FLOW INFORMATION			
Equipment obtained in exchange for forgiveness of accounts receivables	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

Yoshinoya America, Inc.

Notes to Financial Statements

Note 1 – Nature of Business

Yoshinoya America, Inc. (YAI or the Company) was incorporated on November 30, 1977, under the laws of the state of Delaware. It is wholly owned by Yoshinoya Holdings Co., Ltd. (the Parent), a Japanese corporation. The Company is in the business of operating and franchising fast food restaurants under the concept "Yoshinoya." The Company licenses the name from the Parent and pays a fee to the Parent of one percent of system-wide sales for the right to use the name. YAI's principal place of business is Southern California. Additionally, YAI receives a franchise royalty and marketing fees, respectively, of two to four percent of net sales for those restaurants operated by franchisees as a service and advertising fee, respectively, based on the provisions set forth in the franchise agreements. YAI franchises are registered under the laws of the state of California.

The Company has three revenue streams: Company-owned restaurant sales, franchise royalty, and franchise marketing fee revenues. Its Company-owned restaurants derive revenue from retail sales of food and beverage products to the general public. Franchise royalty and marketing fee revenues are derived from the collection of royalties and marketing fees. The royalty fees include initial franchise fees as well as fees associated with franchise and development rights. The Company also provides marketing administration services to franchisees and recognizes as part of marketing fee revenue. The Company had the following changes in its store count:

Store Count	Company	Franchise	Total
December 31, 2020	80	26	106
Opened	-	-	-
Closed	(2)	(1)	(3)
Transferred	2	(2)	-
December 31, 2021	80	23	103
Opened	-	-	-
Closed	(3)	-	(3)
Transferred	-	-	-
December 31, 2022	77	23	100
Opened	-	-	-
Closed	-	-	-
Transferred	-	-	-
December 31, 2023	77	23	100

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). References to ASC and ASU included hereinafter refers to the Accounting Standards Codification and Accounting Standards Update established by the Financial Accounting Standards Board (FASB) as the source of authoritative GAAP.

Yoshinoya America, Inc.

Notes to Financial Statements

Use of estimates – The preparation of the financial statements in conformity GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include those related to long-lived asset impairment and tax valuation allowances. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to prior year amounts to conform to current year presentation with no effect to the results of operations or stockholder's equity.

Business combinations – The Company accounts for business combinations under the acquisition method of accounting, in accordance with ASC Topic 805, *Business Combinations (Topic 805)*, recording any assets acquired and liabilities assumed based on their respective fair values. Additionally, the Company adopted the Private Company alternative on January 1, 2022, in order to conform to the Parent's policy, and therefore only recognizes those identifiable customer-related intangible assets that are capable of being sold or licensed independently from other assets of the acquired business and precludes recognizing noncompetition agreements. The effects of this adoption were not material to the financial statements. Any excess of the fair value of purchase consideration over the fair value of the assets acquired less liabilities assumed is recorded as goodwill.

The Company uses management estimates based on historically similar transactions to assist in establishing the acquisition date fair values of assets acquired, liabilities assumed, and contingent consideration granted, if any. During the year ended December 31, 2021, the Company acquired two franchise locations from two different franchise owners. The consideration for the acquisitions, which was paid in cash, amounted to approximately \$1,203,000, and included an immaterial amount of property and equipment, as both locations were remodeled after the acquisitions. The results of operations of each of these locations were included in the results of the Company as of the date of acquisition. The acquisitions in total were not material to the Company's results of operations or cash flows. There were no acquisitions during the years ended December 31, 2023 and 2022.

Cash and cash equivalents – The Company considers all liquid interest-earning instruments purchased with an initial maturity date of ninety days or less to be cash equivalents.

Concentrations of credit risk – The Company maintains its day-to-day operating cash balances with various major financial institutions. At various times during the years ended December 31, 2023, 2022, and 2021, the Company had bank deposits in excess of the Federal Depository Insurance Corporation insurance limits. The Company has not experienced losses in such accounts and believes it is not exposed to any significant credit risk.

Fair value measurements – The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair market value due to the short maturities of these instruments. The carrying amount of long-term debt approximates fair value as the interest rates are based on established market rates or variable referenced rates.

Rebates receivable – The Company has a purchase rebate agreement with a vendor and earns a rebate based on the purchase of the vendor's products. The rebate earned is recorded against the related cost as a reduction of food, beverage, and paper supplies.

Yoshinoya America, Inc.

Notes to Financial Statements

Accounts receivable – Accounts receivable primarily consists of amounts due from franchisees for royalty and marketing fees, credit card receivables, and receivables owed from online ordering and delivery services from the corporate-owned locations, and as a result are short term in nature. The Company provides credit in the normal course of business to its franchisees and performs ongoing credit evaluations of those franchisees. The Company's policy is to establish an allowance for credit losses to estimate losses from uncollectible accounts, if required, based upon factors surrounding the credit risk of specific customers, historical trends, and other factors as considered necessary. There was no allowance for credit losses based upon management's assessment of collectability as of December 31, 2023, 2022, and 2021, respectively. Accounts receivable was approximately \$717,000 as of January 1, 2021.

Employee retention tax credit receivable – The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides an employee retention tax credit (ERTC), which was a refundable tax credit against certain employment taxes for eligible employers. After determining the amount was estimable and reasonably assured in accordance with ASC 450, *Contingencies*, as of December 31, 2023, the Company recorded approximately \$9,714,000 of ERTC receivable, included in other income on the statements of income. During the year ended December 31, 2023, the ERTC was collected in full.

Inventories – Inventories consisting of restaurant food and beverages are stated at the lower of cost (average cost method) or net realizable value.

Prepaid expenses and other current assets – Prepaid expenses and other current assets consist primarily of prepaid taxes, business property tax, related insurance policies, and other operating expenses.

Property and equipment, net – Property and equipment is stated at cost, less accumulated depreciation and amortization. Expenditures for repairs and maintenance are charged to expense as incurred. The Company capitalizes costs for significant betterments that increase the useful life of the asset. When assets are sold or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed, and any resulting gain or loss is recorded. Depreciation and amortization are computed using the straight-line method over estimated useful lives of the assets as follows:

Building	40 years
Machinery and equipment	2–5 years
Furniture, fixtures and automobiles	5 years
Leasehold improvements	shorter of the lease life or 10 years

Leasehold improvements are amortized over the shorter of the lease term, which generally includes reasonably assured option periods, or useful life. Construction in progress historically represents the accumulation of assets from various office and restaurant projects, such as construction or remodels. Depreciation of these amounts will begin when the assets are placed into service.

Leases – On January 1, 2022, the Company adopted FASB ASU No. 2016-02, *Leases* (Topic 842) using the modified retrospective transition approach. Therefore, the financial statements for 2023 and 2022 are presented under the new standard, while 2021 remains unadjusted and continues to be reported in accordance with the Company's historical lease accounting policy. Topic 842 requires all lessees to recognize a right-of-use (ROU) asset and lease liability for both operating and finance leases on the balance sheet, initially measured at the present value of the lease payments for all leases with an anticipated term greater than 12 months.

Yoshinoya America, Inc.

Notes to Financial Statements

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of the lease payments over the expected remaining lease term, adjusted for lease incentives. The Company includes payments to be made in an optional period only if the Company is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. For operating leases, the lease cost is allocated over the lease term on a generally straight-line basis.

The ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. In determining the present value of lease payments, the Company discounts lease payments based on the government treasury risk-free rate determined using a period comparable with that of the lease term at the lease commencement date.

The new standard provides for a number of practical expedients in transition. At adoption, the Company elected the package of practical expedients, which permits the Company to not reassess under the new standard prior conclusions about lease identification, lease classification, and initial direct costs. The Company also elected the practical expedient to not separate lease and non-lease components on real estate leases, where the Company is the lessee, in addition to electing the use-of-hindsight practical expedient. Additionally, the Company elected the practical expedient for nonpublic business entities under ASC 842-20-30-3, which allows a lessee to use a risk-free rate for a period comparable to the lease term. The Company did not elect the practical expedient pertaining to land easement as it is not applicable.

The adoption of Topic 842 did not have a significant impact on its cash flows from operations or statement of operations and liquidity but did result in the recognition of an initial ROU asset and lease liability of approximately \$31,247,000 and \$32,184,000, respectively, as of January 1, 2022. The difference between the ROU asset and lease liability represents deferred rent credits previously recorded.

The Company leases real estate under noncancelable agreements classified as operating leases. Such leases do not impose any financial restrictions or contain any residual value guarantees. Certain of the Company's leases require contingent rental payments. Certain leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and ROU asset unless the Company is reasonably certain to be exercising the options. Variable lease payments that do not depend on a rate or index, escalation in the index subsequent to the initial measurement, payments associated with separable non-lease components such as common area maintenance, real estate taxes and insurance, and short-term lease payments (leases with a term of 12 months or less) are expensed as incurred or when the achievement of the specified target that triggers the contingent rent is considered probable.

Yoshinoya America, Inc.

Notes to Financial Statements

Long-lived asset impairment – In accordance with FASB's ASC 360, *Property, Plant, and Equipment*, management reviews long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate for future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. The long-lived assets subject to potential impairment are the store assets, which principally consist of leasehold improvements, machinery, and equipment, in addition to the ROU assets. Various facts and circumstances may affect the financial performances of stores, including geographic locations and customers' preferences.

The Company recorded impairment charges to its restaurant assets of approximately \$168,000, \$266,000, and \$1,248,000 during each of the years ended December 31, 2023, 2022, and 2021, respectively.

Goodwill, net – Goodwill represents the difference between the fair value of the consideration transferred for the acquired business and the fair value of the identifiable tangible and intangible net assets recognized in a business combination. Goodwill is amortized on a straight-line basis over 10 years and is assessed for impairment when a triggering event occurs that indicates the fair value of the reporting unit may be less than its carrying amount. In accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other* (ASC 350), a goodwill impairment loss is recognized to the extent the carrying amount of the entity including goodwill exceeds its fair value. There was no impairment of goodwill during each of the years ended December 31, 2023, 2022, and 2021. Amortization expense related to goodwill amounted to approximately \$244,000 during each of the years ended December 31, 2023 and 2022. Future amortization expense related to goodwill is expected to be approximately \$244,000 for each of the next 5 years.

Workers' compensation – The Company maintains a high-deductible workers' compensation insurance plan with a loss limit of up to \$250,000 per claim. As of December 31, 2023, 2022, and 2021, the Company recorded reserves of approximately \$1,700,000, \$1,935,000, and \$1,845,000, respectively. Under this plan, the Company is required to provide letters of credit.

Other long-term liabilities – Effective January 1, 2022, the Parent established a new Long-Term Incentive Plan (LTIP) for the Company's executives, which is expected to be paid out in 2025. The LTIP amounted to approximately \$850,000 and \$425,000 during each of the years ended December 31, 2023 and 2022, respectively, and is accrued in other long-term liabilities on the balance sheets. During the year ended December 31, 2021, the executives under the former LTIP left the Company and the plan was cancelled, and approximately \$1,275,000 was recorded within other income on the statements of income.

Revenue recognition – The Company records revenue under FASB ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606), which requires revenue to be recorded as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services. The Company recognizes revenue when products are delivered to the customers or meals are served. Revenues are presented net of sales taxes. The sales tax obligation is included in accrued expenses until the taxes are remitted to the appropriate taxing authorities. The Company has one performance obligation for the use of the license and intellectual property and will recognize the franchise and renewal fee over the term of the franchise and renewal periods, respectively.

Yoshinoya America, Inc.

Notes to Financial Statements

Royalty fee revenue – Royalty fee revenue represents royalties earned from each of the franchisees in accordance with the franchise disclosure document and the franchise agreements for use of the “Yoshinoya” name, menus, processes, and procedures. The royalty rate in the franchise agreement is typically two to five and a half percent of the net sales of each restaurant operated by each franchisee. Royalty fee revenue from franchised restaurants is recognized in the period earned and is payable to the Company monthly when the sales are reported by the franchisees. Royalty fees receivable were approximately \$91,000, \$89,000, and \$84,000 as of December 31, 2023, 2022, and 2021, respectively, and included within accounts receivable on the balance sheets.

Marketing fee revenue – Marketing fee revenue represents fees earned from each of the franchisees in accordance with the franchise disclosure document and the franchise agreements for the use of the “Yoshinoya” name for promotional materials. The marketing fee rate is typically five percent of net franchise sales. Marketing fee revenue from franchised restaurants is recognized when earned and is payable to the Company monthly when sales are reported by the franchisees. Marketing fees receivable were approximately \$80,000, \$78,000, and \$74,000 as of December 31, 2023, 2022, and 2021, respectively, and included within accounts receivable on the balance sheets.

Customer Loyalty Program – The Company’s “Yoshinoya Rewards” customer loyalty program was established during 2022 and enables participants to earn points for each purchase. The points can be redeemed for food and beverage items and expire within six months of purchase as of December 31, 2023. Beginning January 2024, the expiration period was retroactively reduced to three months. The Company measures total rewards obligation based on the estimated number of customers that will ultimately earn and redeem rewards under the program. The Company allocates the transaction price in accordance with ASC 606 between the goods delivered and the future goods that will be delivered, on a relative standalone selling price basis, and defer the revenues allocated to the points, less expected expirations, until such points are redeemed. Deferred revenues amounted to approximately \$456,000 and \$392,000 as of December 31, 2023, and 2022, respectively, and are included in accrued liabilities on the balance sheets.

Food, beverage, and paper supplies – Food, beverage, and supplies costs consist of goods at the restaurant locations. Costs of sales are variable costs and will increase with sales volume.

Labor and benefits – Labor and benefits include direct hourly and management salary wages, bonuses, taxes, and fringe benefit costs of both restaurant and corporate personnel.

Occupancy and restaurant operating – Occupancy and restaurant operating expenses predominantly include restaurant rent and utilities, related building and maintenance costs, restaurant overhead, and other operating costs incurred at the restaurant locations.

General and administrative – General, and administrative expenses include all corporate and administrative functions that support existing operations and provide infrastructure to facilitate future growth. The components of these costs include advertising, training, legal, supplies, automobile, and various bank fees which are expensed as incurred. Advertising expense was approximately \$4,362,000, \$3,504,000, and \$3,753,000 for each of the years ended December 31, 2023, 2022, and 2021, respectively.

Royalty fee expense – Royalty fee expense represents amounts paid to the Parent based on a percent of the Company’s system-wide sales.

Yoshinoya America, Inc.

Notes to Financial Statements

Income taxes – Deferred income taxes and liabilities are computed for differences between the financial statement and income tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amounts more likely than not expected to be realized. Income tax expense or benefit is the income tax payable or refundable for the period, plus or minus the change during the period in deferred income tax assets and liabilities.

The Company records uncertain tax position liabilities under the provision of FASB ASC 740, *Income Taxes*, which prescribes a more likely than not probability that the uncertain tax positions would withstand an examination by tax authorities based on the technical merits of the position for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As facts and circumstances change, management reassesses these probabilities and would record any changes in the financial statements as appropriate. The Company's policy is to recognize interest to be paid on an underpayment of income taxes in interest expense and any related statutory penalties in the provision for income taxes on the statements of income.

Vendor concentrations – The Company purchased inventory from one major supplier, which accounted for approximately 99% of total purchases for each of the three years ended December 31, 2023, 2022, and 2021. Included in accounts payable was approximately \$552,000, \$451,000, and \$441,000, as of December 31, 2023, 2022, and 2021, respectively, related to this supplier. If a disruption of services from the Company's main distributor were to occur, the Company could experience short-term increases in costs while distribution channels were adjusted.

Recently issued accounting pronouncements – In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduced an expected credit loss methodology for the measurement and recognition of credit losses on most financial assets, including trade accounts receivable. The expected credit loss methodology under ASU 2016-13 is based on historical experience, current conditions, and reasonable and supportable forecasts, and replaces the probable/incurred loss model for measuring and recognizing expected losses under current GAAP. The ASU also requires disclosures of information regarding how a company developed its allowance, including changes in the factors that influenced management's estimate of expected credit losses and the reasons for those changes. The ASU and its related clarifying updates are effective for non-public companies in fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. The Company adopted the new standard on January 1, 2023, and it did not have a material impact on the estimate of the allowance for credit losses on financial assets.

Yoshinoya America, Inc.

Notes to Financial Statements

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheets but arose after the balance sheet date and before the financial statements are issued.

The Company has evaluated subsequent events through March 15, 2024, which is the date the financial statements were available to be issued.

Note 3 – Inventories

Inventories consist approximately of the following at December 31:

	2023	2022	2021
Food and beverages	\$ 1,072,000	\$ 952,000	\$ 845,000
Supplies	192,000	194,000	140,000
Total	<u>\$ 1,264,000</u>	<u>\$ 1,146,000</u>	<u>\$ 985,000</u>

Note 4 – Property, Plant, and Equipment, Net

Property, plant, and equipment, net, consists approximately of the following at December 31:

	2023	2022	2021
Land	\$ 1,530,000	\$ 1,530,000	\$ 1,530,000
Building	1,070,000	1,070,000	1,070,000
Leasehold improvements	55,316,000	51,136,000	49,939,000
Machinery and equipment	33,165,000	30,585,000	28,343,000
Furniture and fixtures	7,973,000	7,107,000	6,908,000
Automobiles	274,000	287,000	287,000
Construction in progress	3,058,000	790,000	-
Total	102,386,000	92,505,000	88,077,000
Less: accumulated depreciation and amortization	<u>(79,916,000)</u>	<u>(76,139,000)</u>	<u>(72,066,000)</u>
Property and equipment, net	<u>\$ 22,470,000</u>	<u>\$ 16,366,000</u>	<u>\$ 16,011,000</u>

Depreciation expense was approximately \$3,683,000, \$3,818,000, and \$4,992,000 for each of the years ended December 31, 2023, 2022, and 2021, respectively.

Yoshinoya America, Inc. Notes to Financial Statements

Note 5 – Lines of Credit

The Company maintained agreements for three revolving lines of credit with two separate financial institutions for a total borrowing capacity of \$21,000,000. On December 31, 2023, two of the lines of credit expired and were not renewed, thereby the Company has one remaining line of credit with a borrowing capacity of \$9,000,000. Interest rates associated with the lines of credit ranged from .75% to 2% as of December 31, 2023, 2022, and 2021. As required by certain agreements, the Company maintained standby letters of credit that amounted to approximately \$3,343,000 as of December 31, 2023, and approximately \$3,724,000 as of December 31, 2022, and 2021, respectively. The standby letters of credit are mainly related to the Company's workers' compensation plan and reduce the Company's availability under its lines of credit. The remaining availability under the current line of credit was approximately \$5,657,000 as of December 31, 2023. As of December 31, 2023, 2022, and 2021, there were no amounts outstanding on the lines of credit.

Note 6 – Notes Payable

Term note payable – The Company maintained a \$6,000,000 term note payable with a bank that matured on December 31, 2023, and was not renewed. The Note was secured by the Parent and had increasing interest rates. Interest at December 31, 2023, 2022, and 2021 was 4.59%, respectively. Interest accrued monthly and was paid on a quarterly basis while principal was satisfied at the end of the loan term. The Note was subordinated to the three lines of credit and contained customary non-financial covenants. During the year ended December 31, 2023, the Company paid the term note in full and terminated the agreement.

Paycheck Protection Program loan – The Company obtained a loan in 2020 for approximately \$6,880,000 under the Paycheck Protection Program (PPP) established by the CARES Act. The loan bore interest at a rate of 1% and was set to mature on May 4, 2022. During the year ended December 31, 2021, the entire amount of the PPP loan plus accrued and unpaid interest was forgiven by the Small Business Administration and the forgiveness amount is recorded in other income on the statements of income.

Yoshinoya America, Inc.
Notes to Financial Statements

Note 7 – Income Taxes

Total income taxes are approximately as follows for the years ended December 31:

	2023	2022	2021
Current			
Federal	\$ 14,000	\$ 76,000	\$ 8,000
State	232,000	21,000	676,000
	<u>246,000</u>	<u>97,000</u>	<u>684,000</u>
Deferred			
Federal	837,000	2,892,000	154,000
State	166,000	175,000	111,000
Valuation allowance	-	(7,670,000)	(265,000)
	<u>1,003,000</u>	<u>(4,603,000)</u>	<u>-</u>
Income tax (benefit) expense	<u>\$ 1,249,000</u>	<u>\$ (4,506,000)</u>	<u>\$ 684,000</u>

The Company's effective income tax rate differs from the federal statutory rate primarily due to the change in the valuation allowance. A reconciliation of the (expense) benefit for income taxes to the amount of income tax (expense) benefit that would result from applying the federal statutory rate to income before income taxes is as follows at December 31:

	2023	2022	2021
Income taxes at U.S. statutory rate	21.00%	21.00%	21.00%
State taxes, net of federal benefit	6.98%	0.09%	7.68%
Meals and entertainment	0.00%	0.00%	0.00%
Other	0.00%	(14.21)%	0.10%
Change in federal valuation allowance	0.00%	(44.76)%	(2.96)%
PPP loan forgiveness	0.00%	0.00%	(17.58)%
	<u>27.98%</u>	<u>-37.88%</u>	<u>8.24%</u>

Yoshinoya America, Inc.

Notes to Financial Statements

Total deferred tax assets and liabilities are approximately as follows at December 31:

	2023	2022	2021
Accrued vacation	\$ 96,000	\$ 110,000	\$ 111,000
Accrued incentive	238,000	119,000	-
Accrued workers' compensation	476,000	494,000	558,000
Other accruals	178,000	337,000	661,000
Operating lease right-of-use asset	(7,700,000)	(6,870,000)	-
Lease liabilities	7,907,000	7,102,000	-
Deferred revenue	10,000	22,000	29,000
Basis difference in fixed assets	2,300,000	2,795,000	2,862,000
Net operating losses	26,000	466,000	3,124,000
Credits	453,000	531,000	788,000
UNICAP	21,000	18,000	16,000
Other	28,000	(89,000)	(47,000)
	4,033,000	5,035,000	8,102,000
Valuation allowance	(432,000)	(432,000)	(8,102,000)
Net deferred tax asset	\$ 3,601,000	\$ 4,603,000	\$ -

Deferred income taxes reflect the net effect of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company evaluates whether a valuation allowance should be established against its deferred tax assets based on the consideration of all available evidence using a more likely than not standard. In making such judgment, significant weight is given to evidence that can be objectively verified. There was no change to the valuation allowance against its deferred tax assets during the year ended December 31, 2023. During the year ended December 31, 2022, the Company released its valuation allowance recorded against its deferred tax assets with the exception of a valuation allowance placed against certain state tax credits that the Company believes will more likely than not be utilized. The Company recorded a decrease in the valuation allowance against its deferred tax assets of approximately \$265,000 during the year ended December 31, 2021.

As of December 31, 2023, 2022, and 2021, the Company has federal net operating loss carryforwards of approximately \$770,000, \$1,659,000, and \$13,218,000, respectively, which have no expiration. During the year ended December 31, 2023, the Company did not have state net operating loss carryforwards. The Company has state net operating loss carryforwards of approximately \$1,687,000, and \$3,945,000 as of December 31, 2023, 2022, and 2021, respectively, which expire beginning in 2033.

There were no significant uncertain tax position liabilities as of December 31, 2023, 2022, and 2021, respectively. The Company is open to federal and state tax audits until the applicable statute of limitations expires. The open-year examination period for federal tax purpose is three years by the taxing authority, which is 2019 to 2021. The Company's tax returns open for state examinations is from 2018 to 2021.

Yoshinoya America, Inc.

Notes to Financial Statements

Note 8 – Commitments and Contingencies

Leases – The Company maintains 80 operating leases under noncancelable agreements for its restaurant locations with original terms of generally ten to twenty years, expiring on various dates through 2032.

The components of lease expense included in occupancy and restaurant operating expenses on the accompanying statements of income for the years ended December 31, 2023, and 2022, respectively, are approximately as follows:

	2023	2022
Operating lease expense	\$ 8,133,000	\$ 7,750,000
Variable lease expense	215,000	206,000
Sublease rental income	120,000	120,000

Variable lease costs consist of rent based on a percent of sales for certain locations. Short-term lease costs for the years ended December 31, 2023, and 2022, respectively, were de minimis.

Supplemental cash flow information related to operating leases for the years ended December 31, 2023, and 2022, respectively, is approximately as follows:

	2023	2022
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 7,863,000	\$ 2,700,000

The undiscounted future minimum lease payments under noncancelable operating leases are approximately as follows:

Years Ending December 31,	
2024	\$ 7,044,000
2025	5,660,000
2026	5,065,000
2027	4,094,000
2028	2,792,000
Thereafter	5,875,000
	30,530,000
Less: present value discount	(2,276,000)
Total minimum lease payments	<u>\$ 28,254,000</u>

Yoshinoya America, Inc.

Notes to Financial Statements

Other information related to operating leases as of December 31, 2023, and 2022, respectively, is as follows:

	2023	2022
Weighted-average remaining lease term:		
Operating leases	5.87 years	5.95 years
Weighted-average discount rate:		
Operating leases	2.52%	1.75%

Litigation – The Company, from time to time, may be involved in claims and legal proceedings in the ordinary course of its business. In the opinion of management, the Company is adequately insured against such claims and any ultimate liability arising from such proceedings will not have a material adverse effect on the financial condition, operations, or cash flows of the Company.

Note 9 – Related-Party Transactions

Royalty fee expenses incurred but not yet paid are due to the Parent and typically consist of activity for quarterly in arrears. Royalty fees due to the Parent as of December 31, 2023, 2022, and 2021, were approximately \$330,000, \$323,000, and \$698,000, respectively, and are included in other accrued liabilities on the accompanying balance sheets. Royalty fee expense for the years ended December 31, 2023, 2022, and 2021, were approximately \$1,481,000, \$1,472,000, and \$1,367,000, respectively.

Note 10 – Employee Benefit Plan

The Company maintains a 401(k) plan that allows employees over the age of eighteen and have contributed ninety days of service to participate. Each participant in the Plan may voluntarily contribute a percentage of his or her compensation. The Company had a contribution match of approximately \$241,000, \$291,000, and \$276,000, which was recorded as compensation expense for the years ended December 31, 2023, 2022, and 2021, respectively.

EXHIBIT M

STATE ADDENDUM

CALIFORNIA

The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered with the Franchise Disclosure Document.

1. DISCLOSURES REGARDING THE CALIFORNIA FAST FOOD ACT (CALIFORNIA ASSEMBLY BILL 1228)

ITEM 1: To the extent it is applicable, you must comply with California Assembly Bill 1228, codified at Cal. Lab. Code §§ 1474-1475 (the “Fast Food Act”), which may set health, safety, and employment standards related to your employees, including standards on minimum wages, working hours, and working conditions.

ITEMS 5, 6, AND 11: We currently do not provide any training or assistance related to, or charge any initial or ongoing fees related to, the development or implementation of any standards, policies, or procedures that may be required under the Fast Food Act. It is solely your responsibility to determine whether the Fast Food Act applies to your franchise and, to the extent it does apply, to comply with the Fast Food Act when developing and constructing your restaurant, operating your franchise, and training and supervising your employees.

ITEM 7: The Additional Funds estimate takes into account any increased costs that you may incur related to complying with the Fast Food Act (such as increased wages), based on the Fast Food Act standards that are in effect as of the date of this Disclosure Document.

2. In addition to the information disclosed in Item 3:

Neither the Company nor any person identified in Item 2 of this Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

3. In addition to the information disclosed in Item 17:

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

b. 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.).

c. 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.

4. California law requires us to make the following disclosures:

a. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a prospective waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 through 31516). Business and Professions Code Section 20010 voids a prospective waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 2000 through 20043).

b. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

5. Our websites are www.yoshinoyaamericafranchise.com, and www.yoshinoyaamerica.com. Our websites have not been reviewed or approved by the California Department Of Financial Protection And Innovation. Any complaints concerning the content of these websites may be directed to the California Department Of Financial Protection And Innovation at www.dfpi.ca.gov.

6. Item 6 of the FDD is amended in California to disclose that the highest interest rate allowed by law in California is 10%.

7. The Franchise Agreement and Area Development Agreement require non-binding mediation, and if that process does not result in resolution, then by binding arbitration. The mediation will occur at our offices in Torrance, California and arbitration will occur in Los Angeles, California with the prevailing party's costs and expenses to be borne by the other party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

8. 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 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.

EXHIBIT N

**ADVERTISING ADDENDUM TO FRANCHISE
AGREEMENT**

ADVERTISING ADDENDUM TO FRANCHISE AGREEMENT

This Advertising Addendum to Franchise Agreement (this "Addendum") is made as of _____ between Yoshinoya America, Inc. ("we", "us" or "our") and _____ ("you" or "your") with reference to the following facts:

RECITALS

We and you entered into a Franchise Agreement dated _____, 20____ (the "Franchise Agreement"). The parties want to add additional provisions concerning initial advertising. Accordingly, the parties have agreed as follows:

AGREEMENT

A. New Section 10.6 is added to and made part of the Franchise Agreement, as follows:

10.6 Additional Advertising.

A. Expenditure. In addition to advertising contributions provided for in this Section 10 and any other payments provided for in the Franchise Agreement, you will spend an additional \$_____ for advertising and marketing the Restaurant.

B. Deposit. On signing this Addendum, you will pay to Company an advertising deposit equal to the total required expenditure under Section 10.6.A. ("Advertising Deposit").

C. Use by Company. We will spend the Advertising Deposit for the Restaurant on pre-opening and opening marketing and promotion materials. In no event will we be required to obtain your prior approval before spending, or committing to spend, any portion of the Advertising Deposit. We will present you with a written accounting of our specific expenditures within 90 days after the Advertising Deposit has been fully spent.

B. Other.

Defined terms not defined in this Addendum have the meaning provided in the Franchise Agreement. This Addendum is deemed to be part of and is subject to all other terms in the Franchise Agreement. In any conflict between the Franchise Agreement and this Addendum, the provisions in this Addendum control.

FRANCHISEE

COMPANY

Signature: _____

Print Name: _____

Title: _____

YOSHINOYA AMERICA, INC.

Signature: _____

Print Name: _____

Title: _____

EXHIBIT O

SPOUSAL CONSENT

CONSENT OF SPOUSE

The undersigned, as spouse of the person whose name appears beneath my signature below, signs this Consent with regard to that or those of the following that are checked:

Please check all that apply:

- ☐ Franchise Agreement dated _____ between Yoshinoya America, Inc., a Delaware corporation ("Company") and _____.
- ☐ Guaranty Agreement dated _____ by the undersigned's spouse.
- ☐ Area Development Agreement dated _____ between the Company and _____.
- ☐ Sublease dated _____ between the Company and _____, a _____.
- ☐ Guaranty of Sublease dated _____ between the Company and _____.
- ☐ General Release dated _____ between the Company and _____, a _____.
- ☐ Confidentiality, Non-Disclosure and Non-Competition Agreement dated _____ between the Company and _____.
- ☐ Asset Sale and Purchase Agreement dated _____ between the Company and _____.

For this Consent, the items indicated above are individually and collectively be referred to as, the "**Agreement(s)**".

I acknowledge and confirm that I have read and understand the Agreement(s) and obtained explanation of any provisions I did not understand so that I now understand such provisions. I acknowledge that I have the right and had the opportunity to seek independent legal counsel and was fully advised by counsel as to all my rights, interests and obligations relating to the Agreement(s) and the contemplated transactions, or I voluntarily chose not to retain independent legal counsel. I consent to, approve of and agree with the execution and delivery of the Agreement(s) and the consummation of the transactions by my spouse with the understanding that I may have a beneficial interest, community property interest, quasi-community property interest or other interest in the property rights of my spouse which are the subject of the Agreement(s) and which, by this consent and the Agreement(s) are made subject to the Agreement(s).

I understand the terms and conditions in the Agreement(s) and consent to and agree to be bound by all terms and provisions of the Agreement(s). I acknowledge that I signed this consent voluntarily and of my own free will without relying on any promise, commitment or other inducement by the Company, my spouse or any other person. I promise not to take any action at any time to hinder the transactions contemplated in the Agreement(s).

Dated and effective as of _____, 20____

Signature: _____

Print Name: _____

Spouse of: _____ (please print)

EXHIBIT P

TABLE OF CONTENTS TO MANUALS

YOSHINOYA FRANCHISE SYSTEMS MANUAL
TABLE OF CONTENTS

TOPIC	NUMBER OF PAGES
Franchise Systems Manual	
Introduction	2 Pages
The Yoshinoya Systems Manual	
History	
Guest Experience	6 Pages
Guest Experience Standards	
Hospitality	
Maintaining Great Guest Service	
Guest Complaints	
You are Yoshinoya	
Telephone Etiquette	
Media Policy	
Restaurant Evaluation and Audit	
Days and Hours of Operation	
Counter Operations	14 Pages
Menu Items	
Terminal: Serving Steps of Service	
Expeditor Steps of Service	
Drive-thru Steps of Service	
Serving	
POS Terminal Operations Serving	
Appearance Standards/Uniform Policy Update	1 Page
Food Safety and Sanitation	9 Pages
Food Allergies	
Foodborne Illnesses	
Contamination	
Temperature Zones	
Preventing Contamination: Food Safety	
Employee Hygiene and Health	
Restaurant Cleanliness	23 Pages

Cleaning Products Safety	
Cleaning and Sanitizing	
Equipment	
Marketing	5 Pages
Marketing Plan	
Reaching Your Target Market	
Brand Identity	
Franchisee Systems Manual - Kitchen	109 Pages
Boba Operations Guide	47
Brown Rice Preparation	1
Brown Rice Cooking	1
Clam Chowder	2
Edamame	2
Emergency Package Beef Procedures	10
Gyoza	1
Gyudon Beef	4
Ribeye Steak	1
Rice	4
Spring Rolls	1
Teriyaki Chicken	2
Teriyaki Salmon Rollout Guide	20
Udon Noodles	1
Vegetables	2
Tokyo Fried Chicken Job Aids	10
TOTAL NUMBER OF PAGES	169 Pages

EXHIBIT Q

STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Pending

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

EXHIBIT R

RECEIPTS

ITEM 23 RECEIPT (YOUR COPY)

This Franchise Disclosure Document ("FDD") summarizes certain provisions of the Franchise Agreement and Area Development Agreement and other information in plain language. Read this FDD and all agreements carefully.

If YOSHINOYA AMERICA, INC. offers you a franchise or area development rights, YOSHINOYA AMERICA, INC. must provide this FDD to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise or area development sale.

If YOSHINOYA AMERICA, INC. does not deliver this FDD on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C., 20580 and to the applicable state agency at any of their offices. See Exhibit A.

The name, principal business address and phone number of each franchise seller offering the franchise is:

Franchisor:	Franchise Seller:	Additional Sellers (if applicable):
YOSHINOYA AMERICA, INC. 991 Knox Street Torrance, California 90502 (310) 527-6060 (tel) franchising@yoshinoyaamerica.com http://www.yoshinoyaamericafranchise.com http://www.yoshinoyaamerica.com	Name of Individual selling on behalf of Franchisor: Jonathon Gilliam Yerling Vallejos YOSHINOYA AMERICA, INC. 991 Knox Street Torrance, California 90502 Phone: (310) 527-6060 franchising@yoshinoyaamerica.com	

If an additional broker or other franchise seller is involved in a particular transaction, their name, principal business address and phone number shall be inserted above. If the information is left blank, there is no additional franchise seller involved in the transaction with the prospective franchisee who signs the receipt.

Issuance Date: April 16, 2024. See Exhibit M - State Addendum for state effective dates.

I received an FDD dated April 16, 2024, that included the following Exhibits:

EXHIBIT A	FTC and State Administrators List
EXHIBIT B	Agents for Service of Process
EXHIBIT C	Franchise Agreement
EXHIBIT D	Area Development Agreement
EXHIBIT E	General Release
EXHIBIT F	Sublease
EXHIBIT G	Guaranty of Sublease
EXHIBIT H	Addendum to Lease
EXHIBIT I	Confidentiality, Non-Disclosure and Non Competition Agreement

Exhibit R Page 2

EXHIBIT J Personal Guaranty
EXHIBIT K YOSHINOYA Restaurants
EXHIBIT L Financial Statements
EXHIBIT M State Addendum
EXHIBIT N Advertising Addendum to Franchise Agreement
EXHIBIT O Spousal Consent
EXHIBIT P Table of Contents to Manuals
EXHIBIT Q State Effective Dates
EXHIBIT R Receipts

DATED: _____

YOUR SIGNATURE: _____

PRINT NAME: _____

ONLY COMPLETE THE FOLLOWING IF THE FRANCHISEE IS A CORPORATION OR PARTNERSHIP: STATE YOUR OFFICE OR AUTHORITY TO SIGN FOR THE CORPORATION OR PARTNERSHIP (E.G., AS PRESIDENT; GENERAL PARTNER):

PRINT NAME: _____

RETAIN THIS COPY FOR YOUR RECORDS

ITEM 23 RECEIPT (OUR COPY)

This Franchise Disclosure Document ("FDD") summarizes certain provisions of the Franchise Agreement and Area Development Agreement and other information in plain language. Read this FDD and all agreements carefully.

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The name, principal business address and phone number of each franchise seller offering the franchise is:

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YOSHINOYA AMERICA, INC. 991 Knox Street Torrance, California 90502 (310) 527-6060 (tel) franchising@yoshinoyaamerica.com http://www.yoshinoyaamericafranchise.com http://www.yoshinoyaamerica.com	Name of Individual selling on behalf of Franchisor: Jonathon Gilliam Yerling Vallejos YOSHINOYA AMERICA, INC. 991 Knox Street Torrance, California 90502 Phone: (310) 527-6060 franchising@yoshinoyaamerica.com	

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Exhibit R Page 4

EXHIBIT J	Personal Guaranty
EXHIBIT K	YOSHINOYA Restaurants
EXHIBIT L	Financial Statements
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EXHIBIT O	Spousal Consent
EXHIBIT P	Table of Contents to Manuals
EXHIBIT Q	State Effective Dates
EXHIBIT R	Receipts

DATED: _____

YOUR SIGNATURE: _____

PRINT NAME: _____

ONLY COMPLETE THE FOLLOWING IF THE FRANCHISEE IS A CORPORATION OR PARTNERSHIP: STATE YOUR OFFICE OR AUTHORITY TO SIGN FOR THE CORPORATION OR PARTNERSHIP (E.G., AS PRESIDENT; GENERAL PARTNER):

PRINT NAME: _____

RETURN THIS COPY TO US -- YOU CAN MAIL THE SIGNED ORIGINAL TO US AT THE ABOVE ADDRESS OR PDF THE SIGNED COPY AS AN ATTACHMENT TO AN E-MAIL DIRECTED TO FRANCHISING@YOSHINOYAAMERICA.COM